

BUSINESS WEEK

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AGO



Witte of Wisconsin: Why the Economists picked him (page 92)

A MCGRAW-HILL PUBLICATION

NOV. 26, 1955

E B POWER
UNIVERSITY MICROFILMS
313 N 1 ST
ANN ARBOR MICH 48106

How to keep
a goldfish in a bag!



Successful practitioners of the goldfish-bagging art name two requisites. The bag must hold water; and it must permit air to pass through its walls. In other words, the bag must behave like polyethylene.

Because polyethylene keeps vegetables fresh by letting them breathe, it is one of our most useful packaging materials. It gets a healthy assist from an *antioxidant* developed by Shell Chemical—Ionol.[®]

It is Ionol in the mix that imparts to polyethylene its ability to weather high tem-

peratures during initial milling of the film. It is Ionol that helps keep it tough during years of wear.

Ionol in paperboard, too, combats rancidity in packaged cakes and cookies. And it is Ionol, added directly to vitamin concentrates, lard and shortening, that greatly lengthens shelf life.

The making of Ionol, an antioxidant of many uses, is another of Shell Chemical's contributions to the packaging and food processing industries.

Shell Chemical Corporation

Chemical Partner of Industry and Agriculture

NEW YORK



RESEARCH KEEPS

B.F. Goodrich

FIRST IN RUBBER



Steel doors gulp water to keep from melting

A typical example of B. F. Goodrich improvement in rubber

IT'S 3,000 degrees hot inside those steel mill furnaces. So hot that even the heavy steel doors would melt in minutes without protection. To cool them off, they make the doors hollow and pour water through in a constant flood.

But the doors must move up and down, so flexible hose is needed to feed water in and out. Hot metal spatters on the hose. Big "charging machines" bang it. Heat cooks it 24 hours a day, 7 days a week.

Rubber stand all that? B. F. Goodrich engineers believed it could, and de-

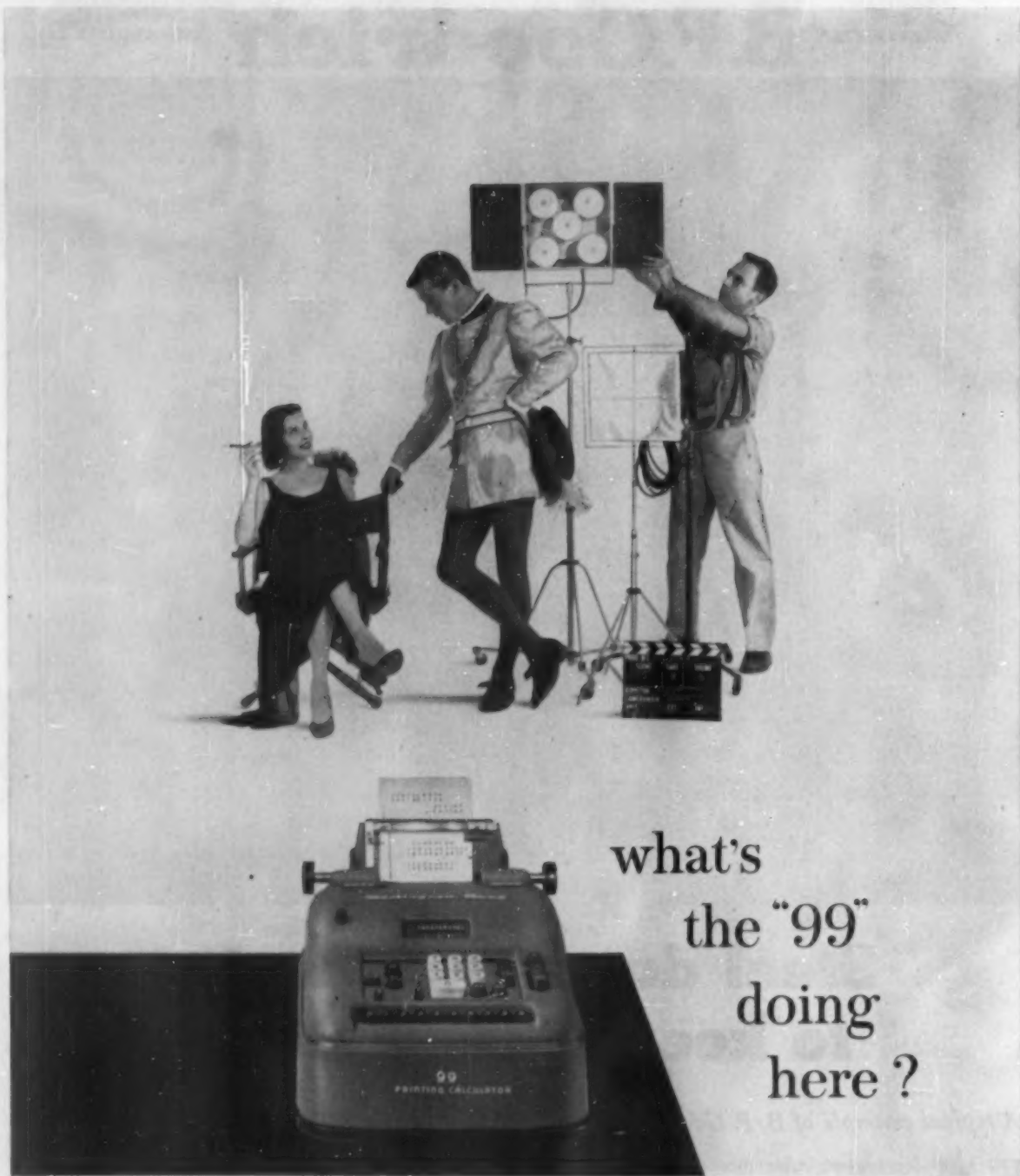
signed a rubber hose armored with wire for strength and protected by asbestos for heat. Here's what happened when it was tried at the steel company in the picture.

Where other, more expensive hose burned out in a matter of months, or even weeks, the B. F. Goodrich hose is still good after more than a year of constant use. What's more, it is so much lighter, more flexible than other makes that workmen prefer it, and one man can install it where two were needed for other hose.

Finding a way to improve furnace

door hose is an example of the B. F. Goodrich method of approaching a customer's problem. We have been able to solve equally difficult ones, just as successfully, in products you undoubtedly use. Your B. F. Goodrich distributor would like to tell you what these improvements are, and how they can be employed for your profit. The B. F. Goodrich Company, Dept. M-519, Akron 18, Ohio.

B.F. Goodrich
INDUSTRIAL PRODUCTS
DIVISION



This Calculator that Prints has gone "on the set" to meet the Payroll.

Most studios pay "extras" on the spot. Their hourly earnings are computed before the day's "shooting" is over... their wages paid out as fast. Payroll officers rely on the 99 Calculator for fast action on the figuring scene. It's fully

automatic with speedy 10-key touch control.

Any business that has to compute salaries, hourly wages, piece work or commissions needs the compact 99. You're right when you choose this Calculator that Prints... the *proof is on the tape*.

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DIVISION OF SPERRY RAND CORPORATION

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AIR-MAZING FACTS

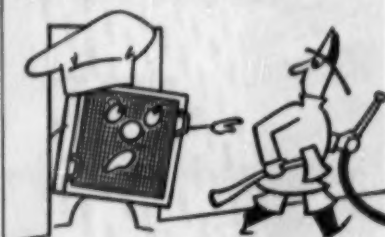
BY O.SOGLOW



BOLT KNOCKS OUT DIRTY AIR! There's a good side to lightning! Although scientists don't know exactly how, lightning bolts cleanse the air of great amounts of dust, smoke and other air-borne particles. You can't harness lightning bolts but you can use an electrical charge to remove dirt from the air...



ELIMINATES DUST ELECTRONICALLY! The Electromaze electronic air filter uses an electrical charge to remove the finest dusts, pollens—even smoke particles. Widely used in offices, hospitals, and factories. Can be serviced automatically. New G-E selenium rectifier eliminates tube maintenance.



KEEPS FIREMEN OUT OF KITCHENS! Air-Maze Greastop filters snatch dirt and grease droplets out of the air, help to prevent fire hazards in commercial kitchen exhaust ducts. It's one of hundreds of filter types designed by Air-Maze—the filter engineers.

IF YOU BUILD OR USE engines, compressors, air-conditioning and ventilating equipment, or any device using air or liquids—the chances are there is an Air-Maze filter engineered to serve you better. Representatives in all principal cities. For condensed product catalog, write Air-Maze Corporation, Dept. C, 25000 Miles Rd., Cleveland 28, Ohio.

AIR-MAZE

The Filter Engineers

AIR FILTERS • SPARK ARRESTERS • LIQUID FILTERS
 SILENCERS • OIL SEPARATORS • GREASE FILTERS



The stainless steel for the Seagram Building is being supplied by Republic and other leading producers. Harrison and Abramovitz, architects; John B. Peterkin, associate. Turner Construction Company, general contractor. Edwards and Hjorth, structural engineers. Jaros Baum and Bolles, mechanical engineers. Edward A. Ashley, electrical engineer.

An 11-acre Stainless Steel curtain Is going up on 42nd street

And because it is stainless steel it will stay vivid and attractive for life. It's the new Socony Mobil Building being erected at 150 E. 42nd Street, New York City.

When completed, the building's exterior surface will contain 11 acres of stainless steel in the form of curtain walls, window frame and sash, piers, mullions and louvers.

Why was stainless steel selected for the world's largest metal-clad office building? Because it offers so many important architectural and construction advantages. For example:

1. Stainless steel curtain-wall construction lightens the building by providing strength without added bulk. Wall weight of the Socony Mobil Building has been reduced about 70% as compared to conventional construction. Only 4 inches of masonry are needed behind the stainless walls to meet New York City building codes. This means an extra 3% of rentable space.

2. Stainless steel curtain walls speed erection. Ease of installation and maximum speed are built in to each panel during fabrication. And as each panel is quickly and easily bolted into place it overlaps the one below. This provides a tight fit that keeps weather out, yet allows the building to breathe. The installation work is done from

within the building, reducing the need for expensive surface scaffolding.

3. Stainless steel reduces maintenance costs. It is highly resistant to rust and corrosion and offers immunity to weather effects. Stainless steel never needs painting. These factors are "bonus benefits" of stainless steel that add up to minimum maintenance, particularly in hard-to-service areas like flashing, trim, parapet caps, domes, gravel stops and drainage items.

4. Stainless steel retains its beauty. Because of its resistance to rust and corrosion, stainless steel will not discolor with age. The neighboring Chrysler Building, shown right in main illustration, is proof of that. A recent inspection of the building's stainless steel spire revealed only an accumulation of dirt after a 25-year exposure to the elements. No deterioration. No corrosion. No discoloring. The beauty of stainless steel is enduring.

The future for stainless steel in architectural applications is as bright as the metal itself. And remember, it harmonizes beautifully with other materials of construction. Before you progress too far with your future building plans, investigate ENDURO Stainless Steel by Republic. The coupon will bring you complete information.

REPUBLIC STEEL

World's Widest Range of Standard Steels and Steel Products

THIS WINDOW CAN CUT CLEANING COSTS BY 50%.

It's Truscon's stainless steel reversible window, one of 3,200 being installed in the Socony Mobil Building. Windows can be cleaned entirely from within the building. They rotate a full 360°. Tests, conducted under hurricane conditions, have proved the window watertight and 80 times more resistant to air leakage than allowable industry standards. Engineers estimate this tight seal will save \$3.54 per opening on fuel and air-conditioning costs in the Socony Mobil Building. Truscon engineers will help you adapt this window to your individual requirements. Send coupon for fact and specification file.



REPUBLIC STEEL CORPORATION

3136 East 45th Street
Cleveland 27, Ohio

Please send me more information on:

- ☐ ENDURO® Stainless Steel for Architectural Applications
☐ Truscon® Stainless Steel Reversible Windows

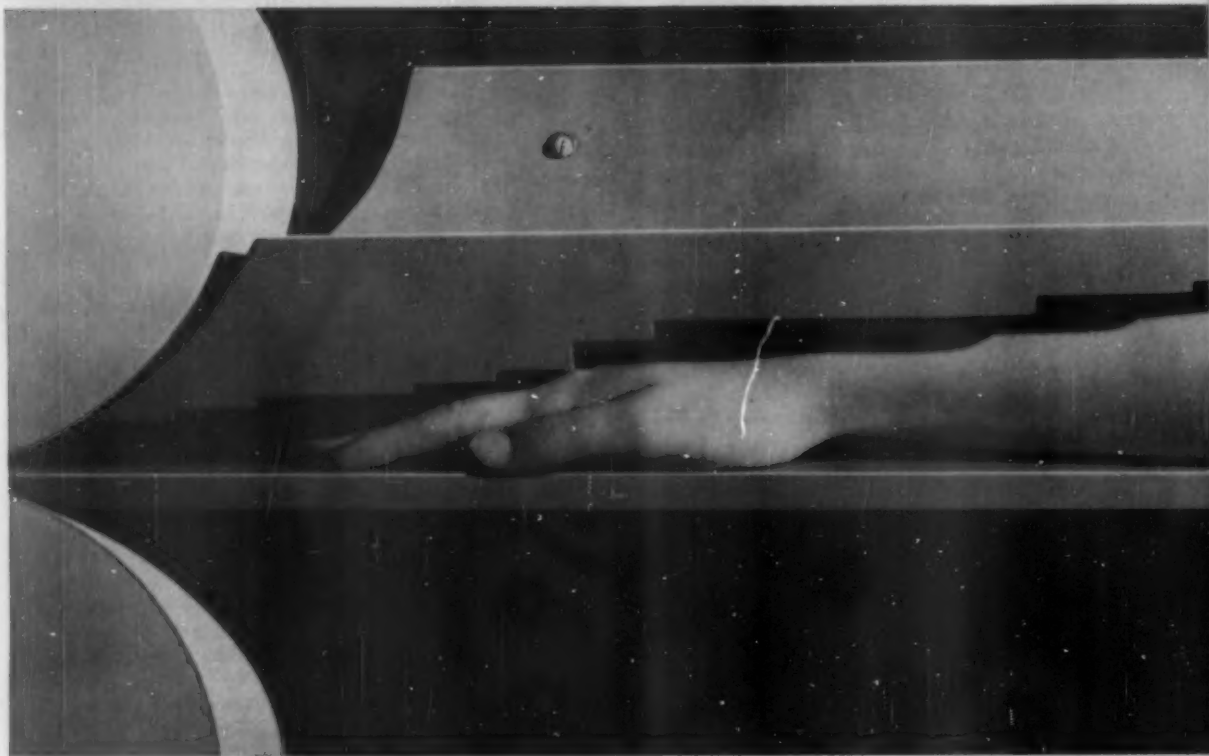
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LIBERTY



WHEN IS A HAND IN DANGER?

For the first $1\frac{1}{4}$ inches away from the danger line in a factory machine — no opening of more than $\frac{1}{4}$ inch can be considered "safe" in a machine guard. This is only one of many findings that came out of an exhaustive study of guard designs conducted by Liberty Mutual loss-prevention engineers. A test fixture is shown above. But guards are not the whole story. Liberty Mutual works to eliminate the basic causes of hazards instead of merely placing guards around them. This is *engineering*—not just inspection.



REHABILITATION. More than 2800 men and women can testify to the amazing work of the two famous Rehabilitation Centers operated by Liberty Mutual for badly injured employees of policyholders. 85% of all cases admitted have been improved by treatment, and of those 2800 improved cases, 83% were returned to work as useful, self-supporting citizens. Liberty Mutual's consulting medical specialists, physical therapy, prosthetic service, personal counseling, aptitude testing, job retraining — all combine to restore work ability. This program benefits the injured while reducing insurance costs.



MUTUAL

The Company that stands by you



THERE ARE 96 WAYS TO GET HURT IN THE BUSINESS OF MAKING SHOES. It may take as many as 200 operations and 2 or 3 weeks' time to complete a good pair. Skilled workers must be protected and Liberty Mutual engineers have made numerous studies of shoe manufacturing to keep those workers safe. This research has helped many Liberty policyholders establish enviable safety records.



WORLD'S BIGGEST ROAD JOB. 56,700 man-years of on-the-job construction went into the 427-mile N. Y. Thruway, longest expressway in the world. 18,000 workers were employed to build this billion-dollar boulevard with 507 bridges and no stop-lights. The 200 miles of construction insured by Liberty Mutual had a prize safety record due in part to the careful attention of Liberty Mutual's loss-prevention engineers.

WHY LIBERTY MUTUAL'S COMPENSATION INSURANCE SAVES YOU MONEY.

Any cost-conscious business man appreciates Liberty Mutual's favorable situation on expense control (see chart below).

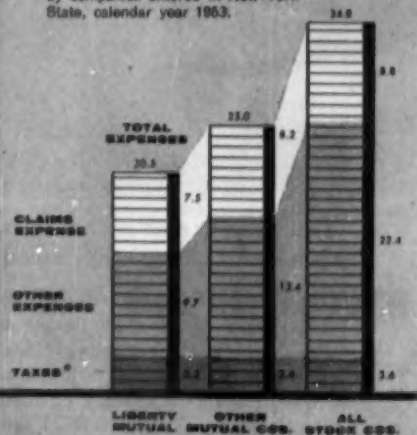
The low figure for claims expense reflects Liberty Mutual's ability to minimize loss in various ways. The company's full-time, salaried staff of career people, in sales, underwriting, loss prevention, medical service and claims, works as a team to help you reduce your net insurance cost whatever your rating plan.

Low acquisition cost (a part of "Other Expenses" in the chart) is another thrift factor. Liberty Mutual's acquisition expense of 3.7¢ compares with 7.6¢ for other mutuals and 14.5¢ for stock companies.

Before you renew your compensation insurance, ask Liberty Mutual for a comparison. No obligation.

WORKMEN'S COMPENSATION

EXPENSE CONTROL — Expense portion of the premium dollar incurred by companies entered in New York State, calendar year 1953.

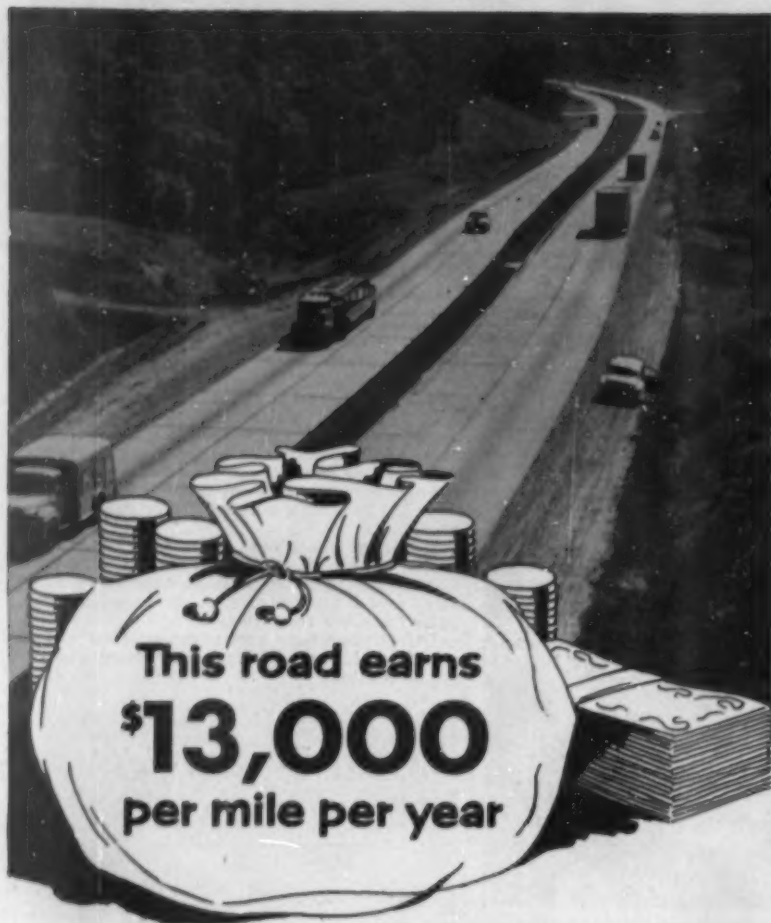


*Does not include Federal Income Tax: \$7,530,014
Federal Income Tax paid by Liberty Mutual in 1954.



LIBERTY MUTUAL INSURANCE COMPANY • LIBERTY MUTUAL FIRE INSURANCE COMPANY

INSURANCE FOR: AUTOMOBILE, LIABILITY, FIRE, WORKMEN'S COMPENSATION, ACCIDENT AND HEALTH, GROUP, INLAND MARINE, OCEAN MARINE, CRIME



A road earning money? Absolutely—in the form of gas taxes and license fees you pay to drive on it. The more vehicle miles of traffic a road handles the more money it earns.

This concrete road is U.S. 66 near Waynesville, Mo. The section shown carries a daily average of 6,450 vehicles.

The number of vehicles traveling this road per day	6,450
Times the average vehicle tax per mile in Mo.	\$.00568
Equals this road's earnings per day per mile	\$ 36.64
Times the number of days in a year	365
Equals the annual earnings of this road per mile	\$13,374
Minus the annual cost to build and maintain such a road during its expected lifetime	\$10,000
Equals the annual net profit this road earns per mile	\$ 3,374

Concrete roads are the biggest money-makers because they attract the most traffic and have the longest life and lowest annual cost. Other pavements often fail to earn their building and maintenance cost. This drain on available funds leaves less and less for new highway construction.

To motorists, who pay for highways, this is an important reason why all main roads should be paved with concrete.

PORTLAND CEMENT ASSOCIATION, 33 W. Grand Ave., Chicago 10, Ill.
A national organization to improve and extend the uses of portland cement and concrete through scientific research and engineering field work

READERS' REPORT

Investment Clubbing

Dear Sir:

Your article on investment clubs [BW—Nov. 5'55, p41—Clubbing to Beat the Market] was most interesting. You claim, however, that the lowest monthly investment rate is \$5.00. Our club, SPEC-290, is composed of fourteen employees, each of whom may invest a minimum of \$2.00 monthly or multiples thereof. His rate of investment need not be constant, since his club share value is based on its proportion of the total liquidating value. Also, regardless of his investment, he has but one vote. As our name implies, we are strictly speculators acting on tips. Our present interest is in Western Development, American Alloys, Schmieg Industries, and Wyoming-Gulf Sulfur.

HERBERT C. KAUFMAN
VICE-PRESIDENT
SPEC-290
NEW HAVEN, CONN.

Just Coincidental?

Dear Sir:

Referring to your article starting on page 17 (BW—Nov. 5'55—Business Outlook).

Could the recent market behavior and Pres. Eisenhower's heart attack be more of a coincidence than is generally inferred? Should this be true, could it be doing Pres. Eisenhower and our country at large a dis-service to use it in a manner as to create "thrill news?"

It is my most humble opinion that the market was due for this type of reaction anyhow and that Pres. Eisenhower's thrombosis did not have nearly the influence and impact as some sources would lead us to believe.

MARK L. NACE
HARRISBURGH, PA.

Crockett in Peril!

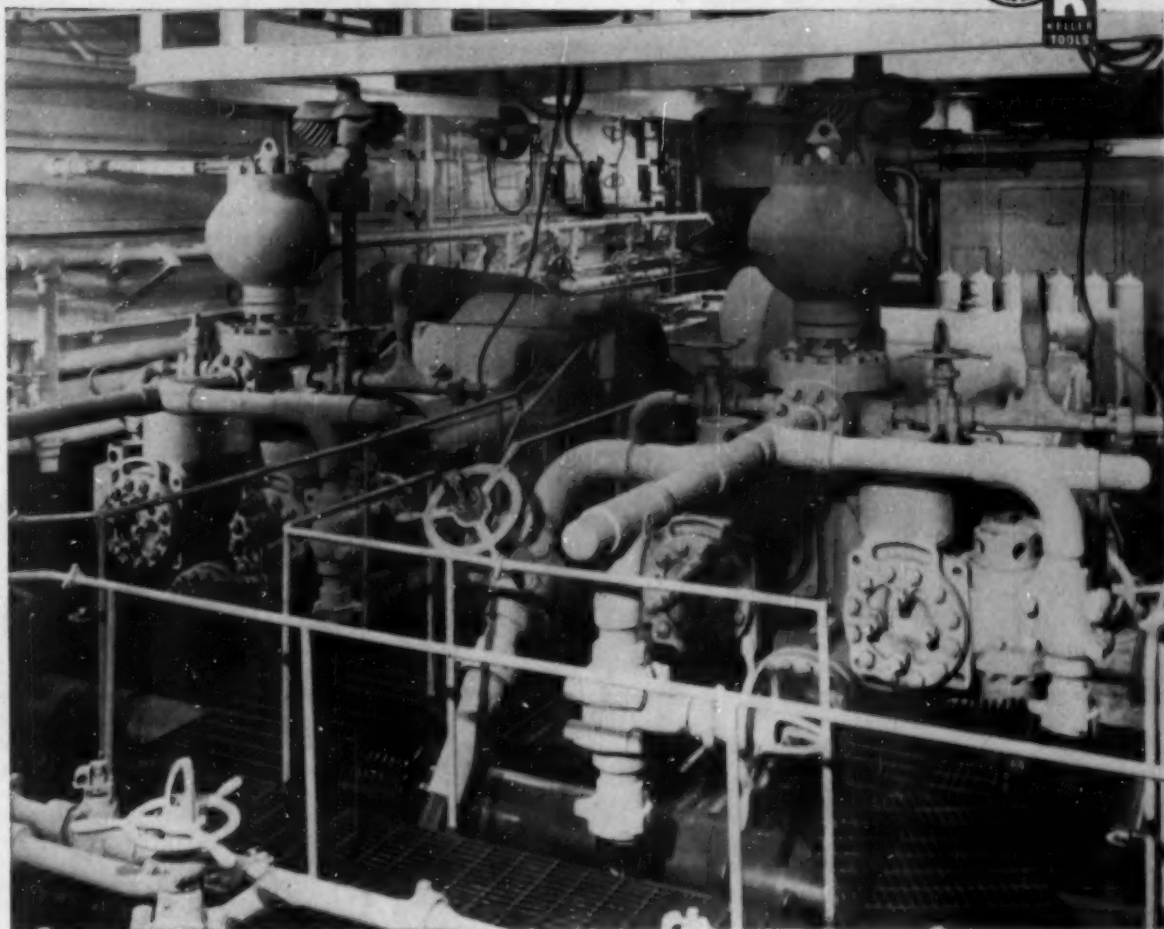
Dear Sir:

May I draw your attention to the steadily growing plight of a significant portion of our population—the Davy Crockett hat-makers.

As BUSINESS WEEK, with its extensive and up-to-date market coverage is well aware, prices on Davy Crockett hats have been plummeting, and an industry and way of life heretofore exuberantly expanding is now faced with the prospect of mass unemployment. Raccoons that have been encour-

Gardner-Denver

SERVING THE WORLD'S BASIC INDUSTRIES



Dual Gardner-Denver GXR power pumps on marine drilling tender off the Gulf coast.

TAPPING THE OCEAN BED — OUR NEWEST OIL FRONTIER

...another example of Gardner-Denver experience

Off our southern coast, between the Rio Grande and the Mississippi, 15 million acres of submerged land hide a rich oil treasure. Development in the next 5 years is expected to uncover 4 to 6 billion barrels of new oil reserves—some 15 or 20 trillion cubic feet of gas.

And, as usual on major projects, Gardner-Denver is in the picture.

In the oil fields of America—and throughout the world—Gardner-Denver pumps and air compressors are speeding drilling of new wells—aiding oil recovery from old wells—assisting in important exploratory

operations. To oil men, the name "Gardner-Denver" is assurance of *quality equipment*.

Of Gardner-Denver, it may be truly said that this company is 96 years young. Gardner-Denver has pioneered—and continues to develop—important new equipment in the oil fields, as well as in construction and throughout industry. Gardner-Denver Company, Quincy, Ill.

GARDNER - DENVER

The Quality Leader in Compressors, Pumps, Rock Drills and Air Tools for Construction, Mining, Petroleum and General Industry



Mine and Tunnel Drills



Portable Compressors



Contractors' Air Tools



Reciprocating and Centrifugal Pumps



Horizontal Compressors



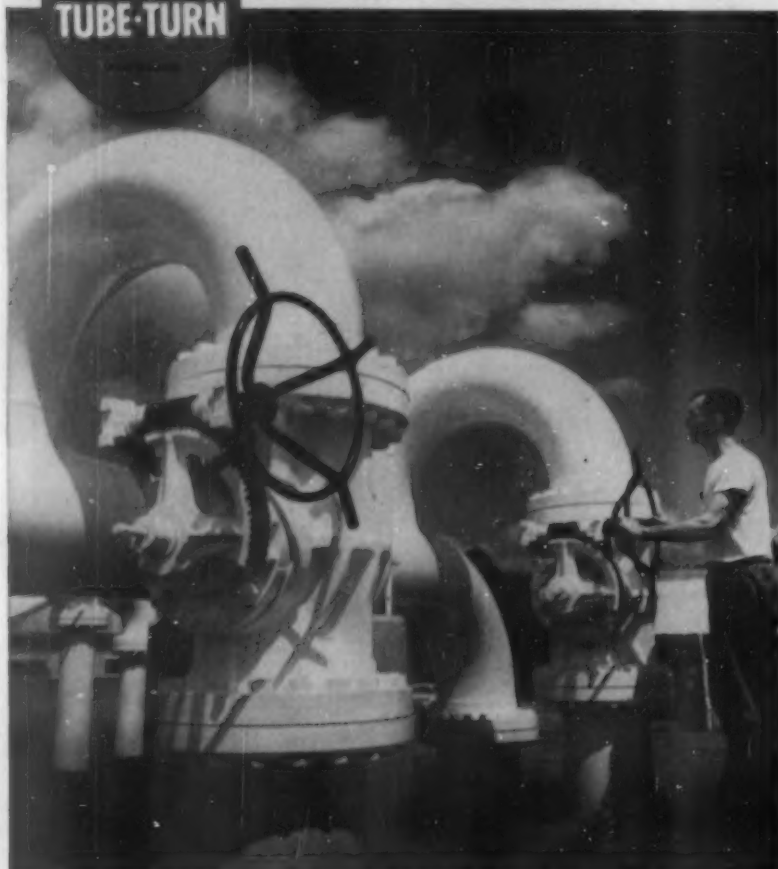
Vertical Compressors



Keller Air Hoists and Tools

TUBE-TURN

WELDED PIPING cuts your costs...



Welded piping at Manufacturers Light and Heat Company's new Brinker Station at Leontonia, Ohio. Part of the Columbia Gas System, this station handles 36,000,000 cu. ft. of gas per day.

Silent salesmen for gas

These king-size TUBE-TURN® Welding Fittings not only help distribute gas—but help sell it too. For example, TUBE-TURN Welding Fittings at this new distribution station make the piping safe and permanently leakproof. Designed to provide optimum flow efficiency, they cut costs by minimizing losses in transmission. Installation crews rely on their uniformity and dimensional accuracy for fast economical erection.

In *your* piping too, you'll get superior service, and more for your money, when you specify and buy TUBE-TURN Welding Fittings and Flanges. Your nearby Tube Turns® Distributor is at your service.



“TUBE-TURN” and “tt”
Reg. U. S. Pat. Off.

The Leading Manufacturer of Welding Fittings and Flanges

TUBE TURNS

A DIVISION OF NATIONAL CYLINDER GAS COMPANY

LOUISVILLE 1, KENTUCKY

aged to produce, now find that there is no market.

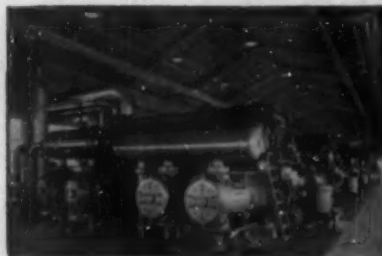
It is not necessary that this happen because several remedies are at hand that have had long and successful histories in other segments of our economy. Specifically, these remedies are:

(1) That the Tariff Commission take off its rose-colored glasses and face up to the fact that the peril-point has been reached in the Davy Crockett hat industry, that prohibitive duties be levied, that a quota be imposed to reassure the foreigners that we are still interested in some trade, and that all imported Davy Crockett hats be so identified, such as by being dyed bile green, so that American purchasers will know they are not purchasing skins from healthy well-fed American raccoons processed by healthy well-paid American workers. In addition, to prevent evasion of the intent of this regulation, its provisions should be extended to all hats made from raccoons that are not born in the U. S. or territories thereof.

(2) That a price support program be inaugurated, perhaps under the jurisdiction of the Bureau of Wildlife and Fisheries but preferably under a brand new agency that will draw upon the staff of the aforementioned Bureau, of the Dept. of Agriculture, and of the Historical Division of the Smithsonian Institution. This agency should engage in a two-pronged attack on the problem.

It should support Davy Crockett hats at a full 100% of parity, the parity base period to be a time when the industry was in healthy condition, e.g., the first half of 1955. It is possible that surpluses may pile up, but this is a calculated risk. This program is essential if we are to maintain Davy Crockett hat-making as a way of life in our society, a way of life that springs from the most deeply loved traditions and most inspiring history of our heritage. Where would our country be today if it weren't for Davy Crockett and men like him!

The other task of the agency should be to actively increase effective demand. Such means can be used as giving Davy Crockett hats to schools with underprivileged children, perhaps tying them in with the Free Lunch program. It should also arrange that a specified portion of our foreign aid or loans be spent to purchase hats; such a gift from us would indeed be twice-blessed because it would not only be aid but would introduce foreigners to basic elements in the



GAS PIPELINE TRANSMISSION



CARGO VESSELS



CHEMICAL PROCESSING



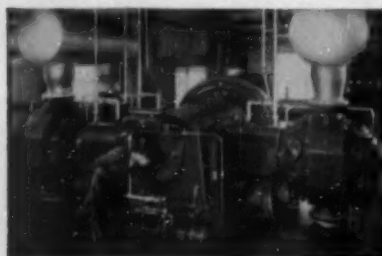
LOCOMOTIVES



PETROCHEMICAL SERVICE



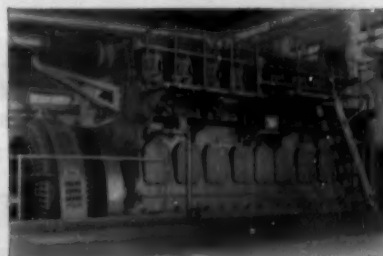
WORKBOATS



INDUSTRIAL AIR COMPRESSING



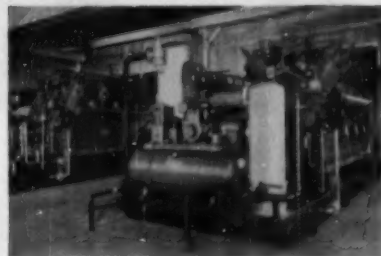
EARTH MOVING MACHINES



MUNICIPAL POWER



FISHING VESSELS



GAS FIELD GATHERING



INDUSTRIAL POWER

They all profit more...with COOPER-BESSEMER power

THERE'S no escaping this fact... Expenses go down and profits go up when the engines or compressors on a big job perform with high efficiency and hold up year in, year out with minimum attention and maintenance. And that's the kind of performance Cooper-Bessemer has for sale... the *only* kind.

The photos here give you a rough idea of the many different applications for which Cooper-Bessemer heavy-duty engines and compressors are engineered.



New York • Chicago • Washington • San Francisco • Los Angeles •
San Diego • Houston • Dallas • Odessa • Tampa • Oregon •
Seattle • Tulsa • St. Louis • Gloucester • New Orleans • Shreveport
Cooper-Bessemer of Canada Ltd., Halifax, N. S., Edmonton, Alberta

DIESELS • GAS ENGINES • GAS-DIESELS • ENGINE-DRIVEN AND MOTOR-DRIVEN COMPRESSORS • HIGH PRESSURE LIQUID PUMPS

So Easy ... Even The Chairman of
the Board Can Do It!



Anyone Can Apply FasCal Signs
... the remarkable new self-adhesive vinyl film
for applications where extra durability is desired

Easy

No high-priced specialized labor needed ... anyone can apply a FasCal sign in 5 minutes or less! No water, glue, activator, no masking, paint or other paraphernalia required.

Economical

Low initial cost.
Great savings in application.
No time lost in preparation, drying time or clean up. Equipment immediately usable after sign is applied.

Practical

Completely weatherproof ... resists acids, oils and solvents.
Scrubbable.
Won't wrinkle, buckle or delaminate ... can be removed if essential.



Two Typical
FasCal
Applications

For Swift & Company
by Chicago Decalco-
mania Co., Chicago.



For Skelly Oil Co.
by Gill Studios, Kansas City, Mo.

Write TODAY ... for samples of FasCal
... test it for your own sign, label and decal purposes.

FasCal is made by
AVERY Paper Company
Painesville, Ohio

... makers of *fasson* Self-Adhesive Papers • Folie • Films

American spirit and to the founda-
tions of the American standard of
living.

We do not believe in paternal
government, and therefore in addi-
tion to our legislative program we
have a vast, industry-wide program
under consideration. On our de-
signing boards are thrilling plans
that will, we feel sure, make every
household a two- and maybe three-
Davy Crockett hat household. In
addition, we are in the process of
preparing a communication to all
magazines and newspapers that
have carried pictures of people
wearing live raccoons, pointing out
the disadvantages of a live raccoon
as compared to a bona fide Davy
Crockett hat. ...

ELEANOR SHLIFER
LOS ANGELES, CALIF.

More Than One

Dear Sir:

We have read your article New
Refinement for Steel [BW—Oct. 29
'55, p88] with some surprise, as you
mention that there is only one
U. S. source of vacuum melted al-
loys.

From the information we have
available, there are at least 6 active
producers in this field, and we be-
lieve the Metals Division of Utica
Drop Forge & Tool Corp. is the
largest. ...

The Metals Division has pro-
duced well over 400,000 pounds
of vacuum melted metals since its
beginning 4 years ago. It has also
pioneered advances particularly in
"Super Alloy" development and
has available its own alloy, Udimet
500, with unsurpassed properties
for use in high temperature appli-
cations. ...

J. K. NORRIS, JR.
BUSINESS MANAGER
METALS DIVISION
UTICA DROP FORGE & TOOL CORP.
UTICA, N. Y.

Dear Sir:

Re your article New Refinement
for Steel ... there are many other
firms such as Carbonyl, Division of
General Electric; Universal Cyclops
Steel Co.; Utica Drop Forge & Tool
Corp.; and Westinghouse.

JAY STEINER
ADVERTISING MANAGER
F. J. STOKES MACHINE CO.
PHILADELPHIA, PA.

Blue Ash Issue

Dear Sir:

I have been an ardent reader of
BUSINESS WEEK and have thought
very highly of it, but I notice



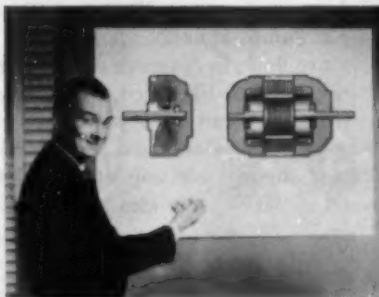
They wanted to add another machine on the line

Fairbanks-Morse Design Engineers wanted to see how *you* could get more production out of every square foot of premium production line space.

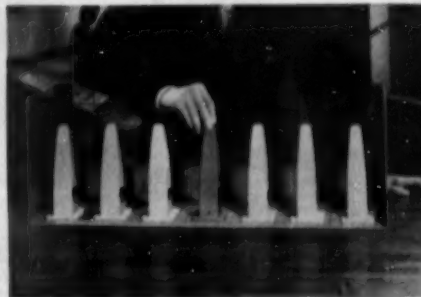
They designed the now-famous Fairbanks-Morse Axial Air Gap Motor that is much shorter than conventional type motors. That saved "motor space" can become "production space" by the addition of one or more machines to every production line.

It is this kind of design approach that typifies the product bearing the Fairbanks-Morse Seal of Quality. When next you look for an electric motor... a scale... a pump... a diesel engine, look for the F-M Seal and see the difference that quality makes.

Fairbanks, Morse & Co., Chicago 5, Ill.



The Secret... is that the air gap in this motor is perpendicular to the shaft, rather than parallel as in a conventional motor... without sacrifice in performance.



The Result... is that by replacing conventional motors with F-M Axial Air Gap Motors, enough space has been saved to add one or more machines to the line.

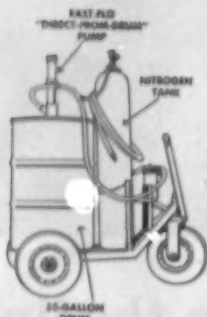


FAIRBANKS-MORSE

a name worth remembering when you want the best



NEW PUMPING METHOD helps TWA apply de-icer fluid faster



This illustrated booklet shows how Fast-Flo Pumps are being used in a wide variety of industries. Write for your personal copy, and get some labor saving ideas for your operations.

● At the Indianapolis terminal of Trans World Airlines, an ingenious portable cart is used to spray propylene glycol as a de-icer on wing surfaces.

A real record-breaker for speedy service and greater safety, this cart carries a drum of fluid, a Graco Fast-Flo Drum Pump, and a bottle of compressed nitrogen.

Ordinarily powered by compressed air, the Fast-Flo Pump is here made completely portable by using the nitrogen tank for power. Several other plane service operations between flights are handled by similar carts. TWA uses 50 of these Fast-Flo Pumps at various terminals.

If you receive fluids in drums or pails, there's a good chance that Fast-Flo speed, safety, economy and simplicity can save you time and money. Fast-Flo Pumps are used for transferring, supplying, mixing, injecting, etc. Find out more about it in the Fast-Flo idea booklet!

● Graco products are sold and serviced through authorized distributors in all principal U. S. and Canadian trading areas and in 63 foreign countries. Your nearby Graco distributor can give you helpful personalized service. Call him.

GRACO

air-powered
"DIRECT-FROM-DRUM" PUMPS

GRAY COMPANY, INC. 116 GRACO SQUARE, MINNEAPOLIS 13, MINN.
FACTORY BRANCHES: NEW YORK • PHILADELPHIA • DETROIT • CHICAGO • ATLANTA • SAN FRANCISCO

GRACO...

Engineers and Manufacturers of air-powered paint circulating systems and heavy material pumps, drum pumps, lubricating and automotive service equipment

you definitely have an erroneous statement regarding the Greater Cincinnati Airport [BW—Oct. 29 '55, p119—Cincinnati Tries Again to Get a New Airport]. You say the new proposed Blue Ash Airport would be more accessible than the Greater Cincinnati Airport.

The Blue Ash Airport is farther from downtown Cincinnati, and the traffic tie-up is much greater than crossing into Kentucky to go to the present Greater Cincinnati Airport in Boone County. . . .

With the completion of the new expressway in Northern Kentucky, the Greater Cincinnati Airport will be much easier, much faster, and much quicker to reach than the Blue Ash ever will be.

LAWRENCE MICHAELS
COVINGTON, KY.

• BW did not wish to imply that one airport would be more accessible than the other, but that there was great agitation over the issue of building a new airport on Ohio soil. That bond issue was voted down again.

Strange Change

Dear Sir:

The world do change. And people too. On your cover [BW—Apr. 27'46] under his picture, he was W. Willard Wirtz, the man behind a new wage pattern. In your Washington Outlook [BW—Nov. 19'55, p39] he's William Wertz, the man behind Adlai Stevenson.

WM. A. QUARLES
NEW YORK, N. Y.

• Editors change, too. The correct version is W. Willard Wirtz.

Deferred Compensation

Dear Sir:

Your Personal Business page [BW—Nov. 5'55, p175] admirably summarizes many aspects of deferred compensation plans, with or without funding through life insurance contracts.

As you know, a disinterested party's opinion can often be more helpful in making a point than an hour's conversation by a participant in the dealings. I have already used your article effectively, merely by opening the magazine and showing it to a prospect after determining his possible interest in a deferred compensation plan for a key executive. . . .

ELIOT J. CONNOR
SUPERVISOR
AETNA LIFE INSURANCE CO.
HARTFORD, CONN.



*Uncertain shipments used to cost him his shirt;
With holidays coming, bare shelves really hurt...*



*Now he's dressed up for business—he's learned how to say
"Send it RAILWAY EXPRESS —the dependable way!"*

The big difference is

Especially with holidays coming—and dependable deliveries so necessary—it pays more than ever to specify Railway Express. Whether your shipment is moving by rail or air, whether you're sending or receiving, Railway Express makes the big difference in speed, economy, and safe, sure delivery.

• • •

Railway Express, through its network of one third of a million miles of co-ordinated rail, air, water, and truck routes, is ready to handle your important holiday traffic. This nation-wide coverage assures you smoothly integrated, rapid service for delivery of your rail or air shipments.



...safe, swift, sure



Industrial Eyes Are Expensive Targets!

Eye accidents cost more than \$5.00 per employed worker . . . with compensation alone running into four and even five figures for serious injury involving partial or complete loss of vision.

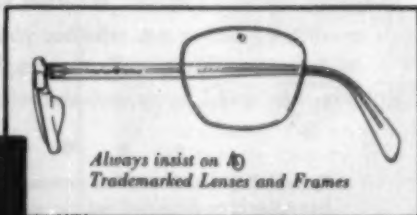
AO's new safety glasses, the greatest advance in years in eye protection, will help you reduce these costs. These glasses are newly designed and engineered . . . with greater protection than ever . . . greater field of vision . . . greater wearer appeal . . . many new features. Ask your Safety Director.

Brochure describing these glasses
in detail available on request.

American Optical



SAFETY PRODUCTS DIVISION



Always insist on AO
Trademarked Lenses and Frames

U.S. Pat. Reg. by American Optical Company

SOUTHBRIDGE, MASSACHUSETTS • BRANCHES IN PRINCIPAL CITIES

BUSINESS OUTLOOK

BUSINESS WEEK

NOV. 26, 1955

A BUSINESS WEEK

SERVICE

New machinery needs take on a special urgency as costs go on rising right along with manufacturers' orders.

Record output can't put a dent in backlogs (in fact, they're still rising). This has factories bumping capacity (BW—Nov. 19'55, p25).

Higher wage rates and more overtime have become a serious matter in boosting costs (along with dearer raw materials).

Factory employment still lags output. Production workers in factories actually are 600,000 fewer than at the 1953 top.

Yet the wage bill is running \$55-million a week above 1953.

This, if you figure it out on a yearly basis, would mean annual labor costs \$2¼-billion higher than at the earlier boomtime peak.

—•—

New orders for machine tools, spurting after the industry's Chicago show, hit a 26-month high of \$103.4-million in October.

That's 69% ahead of September and 135% above October last year.

Shipments of machine tools have pulled above year-ago levels for the first time in 1955. Topping \$60-million a month now, the industry can beat any quarter since 1953 if the rate holds the rest of the year.

Yet, even with this rise in shipments, October orders sent the backlog kiting. It amounts to six months' output, highest in two years.

—•—

Never can the mills seem to roll enough steel when manufacturing is soaring to new production records.

Industry now is getting close to 2.4-million tons of steel a week—and finding the supply woefully inadequate. In fact, you're beginning to hear of "conversion deals" rivaling those of 1953.

Looking back, output of 2¼-million tons a week wasn't enough in 1953, nor was 1.8-million in 1948, or 1.4-million in 1937. Yet the peak in each of those years was followed by an "inventory slump."

Steel users this year have been fighting just to build up supplies big enough to meet present production needs.

Obviously, though, this means larger stocks all along the line.

Such stocks will look small as long as output is racing vainly to catch accumulating new orders. On the other hand, they'll become burdensome if and when customers get less anxious.

Then, as always, we'll see that the steel pinch need not have been so tight if so many hadn't scrambled for more than their shares.

—•—

Electric power output now is heading for another new record very close to 11½-billion kwh. in the week before Christmas.

Production of 10-billion kwh. a week (never attained until early this year) now has become the regular thing; there hasn't been a miss since early July. Most weeks, in fact, now come closer to 11-billion.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

NOV. 26, 1955

Weekly gains in the amount of electric power generated now are running 16%, 17%, and 18% over a year ago.

In July and August, such percentages couldn't be taken at face value. Weather was exceptionally hot, air conditioners ran overtime. Moreover, the comparison was with the slackest months of the 1954 slump.

Now they count; we're comparing with comeback months in 1954.

—•—

Prospective petroleum needs in the neighborhood of 9-million bbl. a day next year will bolster talk of higher crude oil prices.

Domestic wells, now pumping more than 6.8-million bbl. a day, are nearing the production records set late last winter. And this year's peak heating demand still lies ahead.

Last week's cold snap, which put some starch in the East Coast market, has set fuel oil prices to rising over much of the country.

Gasoline demand remains heavy for this time of year. Nevertheless, price wars haven't ended. There are familiar trouble spots in New England, and a growing area around St. Paul-Minneapolis is afflicted.

—•—

Don't expect anyone in Detroit to predict 9¼-million cars for 1956. Yet the individual forecasts (or hopes) expressed by responsible officials of the various companies, if they were added up, would indicate that we can't fail to go at least that high.

That would compare with this year's prospective record of 8-million.

If he were pinned down to what actually will happen in passenger car output next year, each sales manager presumably would tell you that the water has to be squeezed out of the other guy's figures, not his.

Here, stripped of their "ifs" and "buts," are some of the optimistic indications from the auto companies:

- **General Motors:** Chevrolet, 2,100,000 vs. 1,890,000 this year; Pontiac, 700,000 vs. 600,000; Olds, 750,000 vs. 625,000; Buick, 900,000 vs. 800,000. Give Cadillac 150,000 or so, and GM's total is about 4,600,000 for 1956 against this year's probable 4,050,000.

- **Ford:** Fords, 1,900,000 vs. 1,700,000; Mercury, 450,000 vs. 415,000. Lincoln is reported hopeful of doubling this year's 38,000, so make the company's total 2,425,000 against 1955's 2,150,000.

- **Chrysler:** No official estimate has been made in units, but the company is determined to regain at least 20% of the market. So make it 1,850,000 for Chrysler against 1,350,000 this year.

- **Independents:** Give them 5% of the market (who would begrudge them that high a percentage?) and their share would be some 450,000, up from approximately 325,000 in 1955.

Who's going to sell all the 1956 cars? That's a good question.

Total registrations for 1955 apparently will be about 7.1-million. That beats all past records by a mile—and there still is a strong suspicion that dealers have sold a lot of 1956 buyers during 1955.

DEWEY and ALMY . . . products keyed to basic human needs



**the package that's
booming sales of
corned beef!**



MEAT PACKERS ARE ALL SMILES today about the effect that self-service retailing has had on sales of corned beef. It used to be common practice for packers to cure the beef for several days in large brine vats, which required frequent attention. When cured and shipped to market, the meat still had to be kept in barrels filled with brine. This meant that corned beef stayed hidden while other meats moved out to modern, self-service display. Sales of corned beef slumped. Then, with CRYOVAC Packaging, Dewey and Almy showed the way to put corned beef on display . . . and, at the same time, *simplified the entire corned beef business*. Now the packer pumps brine into the beef, packages and ships it almost immediately in CRYOVAC vacuum-sealed transparent packages. It cures in transit — saving plant space, shipping charges on

barrels, and many valuable man hours in curing and handling. In its CRYOVAC package, corned beef arrives at the markets ready for display . . . its bright color and flavor fully protected. Sparkling CRYOVAC packaging has made sales and profits bigger than ever for corned beef . . . and for a wide variety of other meats, cheese and poultry. Listed below are other Dewey and Almy products that may help you! Write today.

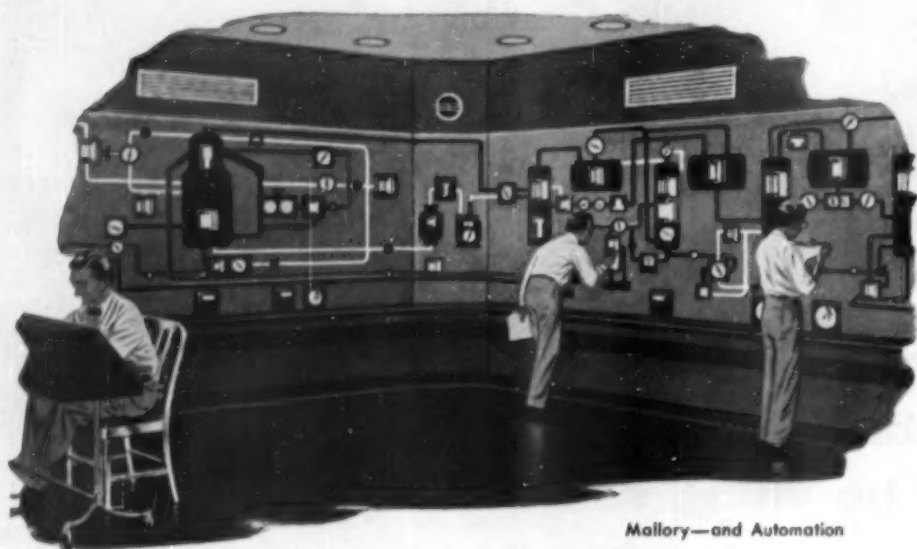
DEWEY and ALMY

Chemical Company



DIVISION OF W. R. GRACE & CO.
Cambridge 40, Massachusetts

Sealing Compounds for Food Cans • CRYOVAC Bags for Food Packaging • Organic Chemicals • Battery Separators • Flowed-In Gaskets • Shoe Materials
Meteorological Balloons • Chemical Products for the Construction Industry • Resin Adhesives • Soda Lime • Print Blankets and other specialized Belting
Offices or Subsidiaries in principal U.S. cities, Buenos Aires, Copenhagen, London, Melbourne, Milan, Montevideo, Montreal, Naples, Paris, São Paulo, Wellington



Mallory—and Automation

They are Busy . . . Refining 12,000 Barrels of Oil Today

From a single, instrument-studded room, three men operate all refinery processes by automatic controls . . . many of which use Mallory electronic components to assure dependable service.

WHEN THREE MEN can operate a complex oil refinery . . . or one man run a paper mill's bleach plant . . . there can be no doubt that the automatic factory is here today. And as production becomes more automatic, the greater grows the need for complete dependability in the equipment that watches vital processes, turns valves and records results.

In the electronic maze behind the push buttons you will find hundreds of Mallory capacitors, resistors, contacts and other components. Designed for reliable service, they provide the uncompromising dependability which is the foundation of automatic operation. Their high precision fits the strict standards of accuracy needed in critical measuring and controlling circuits.

The booming business of automation shares an important quality with other fields which Mallory serves. It is an

industry on the move, like television, aviation, air conditioning and electronics . . . the growth industries which are forging the future of our economy.

Forward-looking manufacturers are turning yesterday's problems into tomorrow's profits, by putting to work Mallory precision products and specialized engineering experience in the dynamic fields of electronics, electrochemistry and specialized metallurgy.

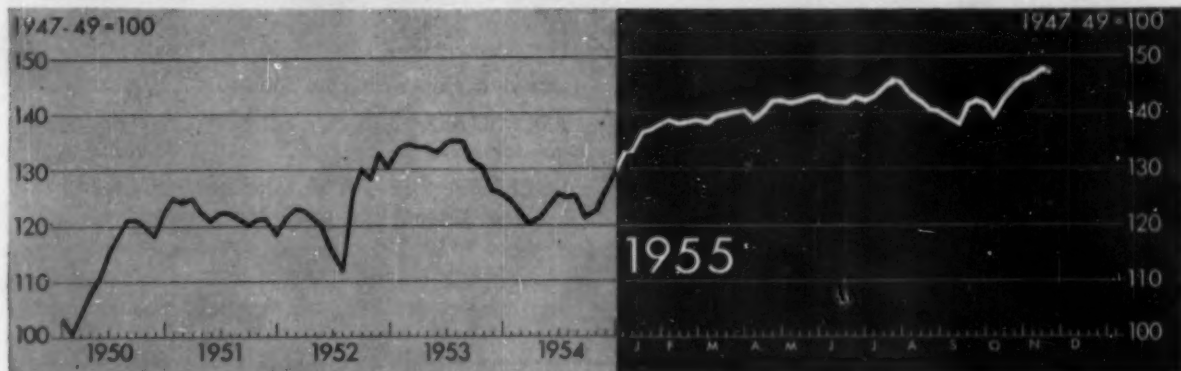
MALLORY

MOVING INDUSTRY WITH THESE PRODUCTS:

Instrumentation • Relays, Switches, Television Tuners, Vibrators
Electrochemical • Capacitors, Rectifiers, Mercury Batteries
Metallurgical • Contacts, Special Metals and Ceramics, Welding Materials

P. R. MALLORY & CO. Inc. INDIANAPOLIS 6, INDIANA

FIGURES OF THE WEEK



Business Week Index (above) [§] Latest Week 147.8 Preceding Week 148.1 Month Ago 145.0 Year Ago 130.7 1946 Average 91.6

PRODUCTION

Steel ingot production (thousands of tons)	2,389	†2,394	2,413	1,915	1,281
Production of automobiles and trucks	211,632	†215,221	169,197	160,149	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	\$59,527	\$59,080	\$61,020	\$52,808	\$17,083
Electric power output (millions of kilowatt-hours)	11,149	10,878	10,644	9,317	4,238
Crude oil and condensate production (daily av., thousands of bbls.)	N.A.	6,808	6,753	6,265	4,751
Bituminous coal production (daily average, thousands of tons)	1,663	†1,697	1,633	1,528	1,745
Paperboard production (tons)	294,652	295,930	292,172	257,148	167,269

TRADE

Carloadings: manufactures, misc., and L.e.I. (daily av., thousands of cars)	77	78	79	70	82
Carloadings: raw materials (daily av., thousands of cars)	56	57	59	48	53
Department store sales (change from same week of preceding year)	+9%	+1%	+8%	-2%	+30%
Business failures (Dun & Bradstreet, number)	214	207	239	208	22

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100)	398.4	†398.8	400.4	410.9	311.9
Industrial raw materials, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100)	99.3	98.5	97.5	89.1	†173.2
Foodstuffs, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100)	75.4	75.7	77.6	92.0	†175.4
Print cloth (spot and nearby, yd.)	20.6¢	20.4¢	19.6¢	18.6¢	17.5¢
Finished steel, index (U. S. Dept. of Labor BLS, 1947-49 = 100)	154.5	154.5	154.5	144.7	†176.4
Scrap steel composite (Iron Age, ton)	\$45.83	\$45.17	\$44.50	\$32.83	\$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.)	N.A.	43.44¢	43.11¢	30.00¢	14.04¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$2.23	\$2.23	\$2.22	\$2.47	\$1.97
Cotton, daily price (middling, 14 designated markets, lb.)	33.64¢	33.72¢	33.22¢	33.61¢	**30.56¢
Wool tops (Boston, lb.)	\$1.70	\$1.70	\$1.70	\$2.13	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's)	361.6	362.9	338.3	268.0	135.7
Medium grade corporate bond yield (Baa issues, Moody's)	3.59%	3.58%	3.59%	3.45%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	21-24%	21%	21%	11-11%	1-1%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks	N.A.	55,955	56,293	55,682	†45,820
Total loans and investments, reporting member banks	N.A.	85,259	85,542	85,745	†171,916
Commercial and agricultural loans, reporting member banks	N.A.	25,485	25,082	22,107	†19,299
U. S. gov't guaranteed obligations held, reporting member banks	N.A.	30,300	30,941	37,677	†49,879
Total federal reserve credit outstanding	26,272	25,963	26,169	25,708	23,883

MONTHLY FIGURES OF THE WEEK

		Latest Month	Preceding Month	Year Ago	1946 Average
Cost of Living (U. S. Dept. of Labor BLS, 1947-49 = 100)	October	114.9	114.9	114.5	83.4
New orders for machinery, except electrical (McGraw-Hill, 1950 = 100)	October	134	140	90	N.A.
Construction & mining machinery	October	155	149	85	N.A.
Engines & turbines	October	128	136	83	N.A.
Pumps & compressors	October	152	145	93	N.A.
Metalworking machinery	October	165	148	97	N.A.
Other industrial machinery	October	115	109	79	N.A.
Office equipment	October	120	118	111	N.A.

* Preliminary, week ended Nov. 19, 1955.
 † Revised.

†† Estimate.
 ** Ten designated markets.

N.A., Not available.
 § Date for "Latest Week" on each series on request.

in BUSINESS this WEEK...

GENERAL BUSINESS:

ANOTHER PUSH ON THE BRAKES. The Fed moves the discount rate up a notch, and business credit will be that much harder to get.p. 25

REVIEWING U.S. POLICY—after Geneva. No great change is likely, since policy hasn't been based on optimism. There won't be any aid cut, thoughp. 27

SELLING LIKE HOTCAKES. Ford's new Conti-

mental, a month after its debut.p. 28

ATOMIC REACTOR FOR BELGIUM. Westinghouse got the order.p. 30

UNDERSEA PIPE. A Houston company wants to build a 364-mi. line to gather gas and oil from offshore wellsp. 31

PROBING AROUND GM'S EDGES. Senate inquiry is circling closer to the hot issues.p. 32

BUSINESS ABROAD:

IN BUSINESS ABROAD. News about resurgent Germany, centralized trade datap. 106

GIFT FOR THE GREEKS. A millionaire industrialist is leaving his holdings in trust to the Greek nationp. 108

IRAN LEARNS HOW TO MAKE OIL FLOW. Its technicians undergo training abroad so they can replace foreignersp. 116

COMMODITIES:

SYNTHETIC HAS A HIGHER BOUNCE. The world's rubber will increasingly come from the factory rather than the tree.p. 106

BURNED BY A HOT OIL ISSUE. ODM chief Flemming asks oil import cuts, finds opposition.p. 192

SCARCE SELENIUM. Industry could use a doubled supply.p. 194

COMPANIES:

AN ORPHAN SEEKS A NEW LIFE. Things are stirring at General Aniline & Filmp. 80

FINANCE:

INVESTING FOR THE LONG HAUL. Growth stocks are best, the experts sayp. 134

CRACKDOWN ON TAX-FREE FUNDS. The Administration is asking for a full-disclosure law.p. 144

GOVERNMENT:

IN WASHINGTON. News about schools, Dixon-Yates, AD-X2, contract letting, highway construction, plant dispersalp. 150

INDUSTRIES:

HOW STEEL MAY INVENT A WAY OUT OF ITS CAPACITY PINCH. The

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oxygen converter and the disiliconizing process may save building entirely new plant.p. 58

LABOR:

REALISM AT BARGAINING TABLE ... is policy followed by UAW's Gossier in Toledo.p. 162

DECISIVE VOTE ... in full-strength NLRB will be in hands of Stephen Beamp. 168

SECURITY FOR TV PERFORMERS ... is provided by unusual welfare and pension plan.p. 170

MANAGEMENT:

PORTER DIVISIONS BOSS THEMSELVES. As long as their finances stay healthy, headquarters keeps hands off.p. 118

TRENDS IN BOARDS: MORE INSIDERS. Management men are finding it less difficult to get a boardroom seat these days.p. 128

The Pictures—Associated Photographers—118 (top right & bot. center); Cameramen, Inc.—168; Joe Covello, B. S.—116, 117; Thomas F. Hill—119 (left); INP—90; Librascope, Inc.—77 (center); Archie Lieberman, B. S.—118 (bot. right); Litton Industries—77 (top); Herb Kratovil—cover, 66, 67, 92, 93, 94, 96, 101, 102, 104, 118 (top left & bot. left), 119 (right); McGraw-Hill World News—31, 108; Gene Pyle—28, 29; Standard Steel Corp.—78; U. P.—162; W. W.—27, 32.

MARKETING:

FAST START ON BIGGEST XMAS YET. With sales curve rising, stores' main problem is extra help.p. 42

FALSTAFF JOCKIES FOR NO. 4 SPOT. Brewer has long-range sights on top place.p. 48

FLARE-UP IN THE AUTO DEALER WAR. Town backs agent, unfrocked by GMp. 54

THE MARKETS:

A PAUSE, THEN THE CLIMB GOES ON. Tightening money fails to faze stock market.p. 174

WALL STREET TALKS.p. 176

NAMES & FACES:

WITTE'S ONE-MAN ECONOMICS. For their president, economists pick Edwin Witte, professor with an unspecialized brain (cover).p. 92

PRODUCTION:

HOW TO PUT THE ATOM TO WORK. NICB tutors company executives in a week-long course.p. 66

LITTLE ENGINE THAT CAN ... get in and out of New York's Grand Central on either electrified or non-electrified track will pull New Haven's Talgo train.p. 72

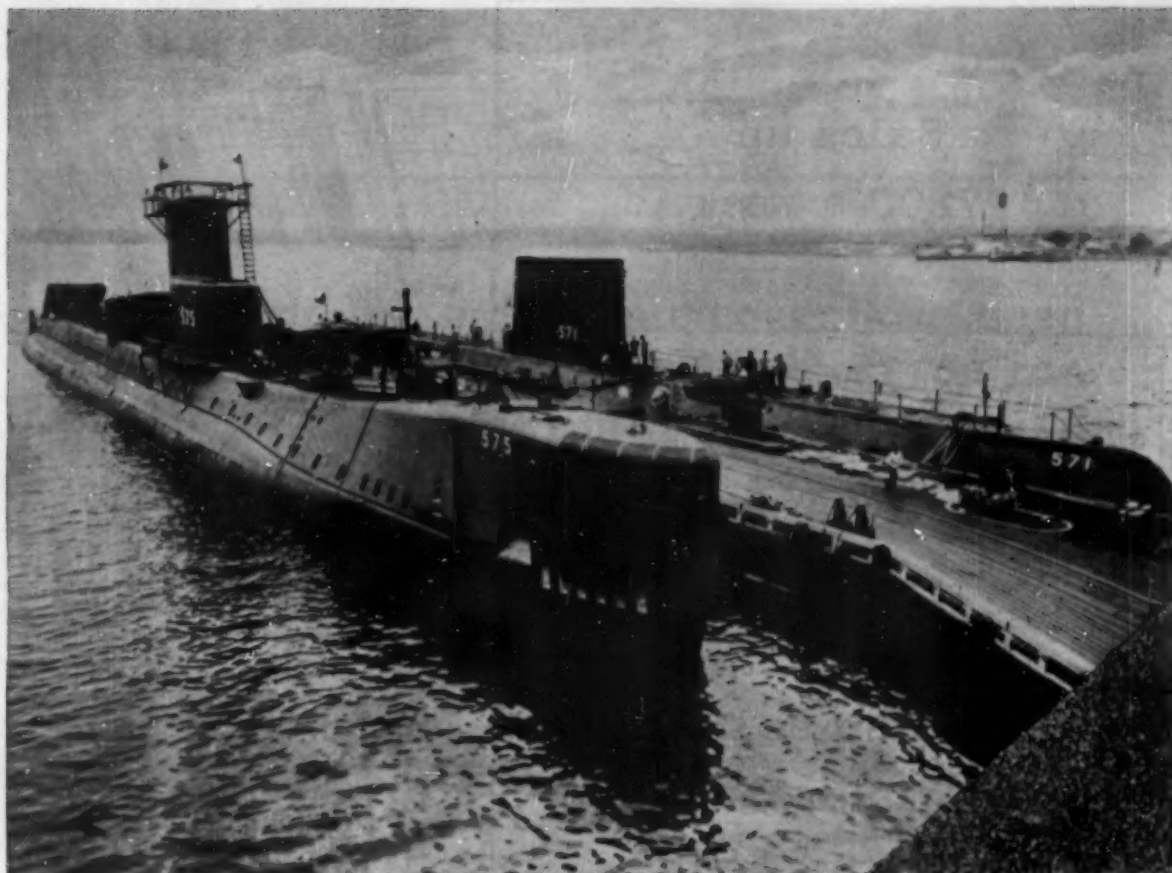
NEW PRODUCTSp. 77

REAL ESTATE:

ONE STEP FROM CAR TO DESK. Pittsburgh fills empty space atop a garage with offices.p. 88

REGIONS:

IN REGIONS. News about Dragon's dust, truck licensing, contract penaltiesp. 154



Nuclear powered. Pictured at this dock in Groton, Connecticut, are the Navy's two atomic submarines, the Sea Wolf (foreground) and the

Nautilus. Their different atomic reactor power plants will provide useful information as to the type of reactor their later "sisters" will use.

Inco helps ready atomic fuel ...to drive the Sea Wolf on her missions through the deeps

The Sea Wolf would be useless without "fuel" for her atomic reactor power plant. And one method of getting "hot" U-235 from uranium is by the gaseous diffusion process.

In the early days of atomic energy, tanks of solid nickel were considered an absolute necessity for filtering U-235 from gaseous uranium.

Thousands of tanks were needed. But where were they to come from? The first order alone would take the two-year output of all the nickel mines in the United States and Canada!

A suggestion was made: Use steel tanks plated with nickel.

But many experts insisted this wouldn't work. Only solid nickel, they said, could withstand uranium hexafluoride gas. Other experts didn't agree. They went ahead and demonstrated that nickel-plating *did* work. Rigorous tests proved that a good bond could be obtained between the nickel deposit and the steel.

As a result, nickel-plated tanks are in use today producing much of the U-235 needed for reactor

fuel and other atomic defense and development projects.

If you have a problem in which corrosion, stresses, fatigue or shock at normal, high or low temperatures are causing trouble, let's talk it over. Two minds being usually better than one, we may be able to help you find out how nickel or a nickel alloy can solve your difficulty.

Write for . . . "List A" of available publications. It includes a simple form that makes it easy to outline your problem for our study.

Nickel Alloys Perform Better, Longer

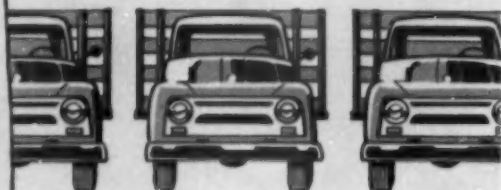
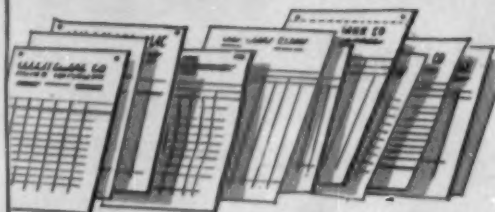


THE INTERNATIONAL NICKEL COMPANY, INC. 67 Wall Street
New York 5, N. Y.

Sales up
\$7200 a week...

Hundreds of new
customers added...

Three new delivery
trucks ordered...



And the telephone is the only salesman!

Here's another example of the *sales-power* of the telephone in developing out-of-town business.

The Sun Ray Wholesale Company, an Indiana feed and grain dealer, has built up a \$375,000 annual business *solely* by calling out-of-town customers on the telephone! The cost of the calls is less than 1% of sales. The results are shown above.

Whether you sell grain or grommets, flowers or flounders—or almost anything else—you'll find that the planned use of Long Distance doesn't cost... it *pays!* We'd like to show you how to make profitable use of the telephone in your business. Just call your Bell Telephone Business Office—there's no obligation. A representative will visit you at your convenience.

LONG DISTANCE RATES ARE LOW

Here are some examples:

Indianapolis to Akron	90¢
Philadelphia to Boston	95¢
Dallas to St. Louis	\$1.35
Atlanta to New York	\$1.50
Los Angeles to Washington, D. C.	\$2.50

These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

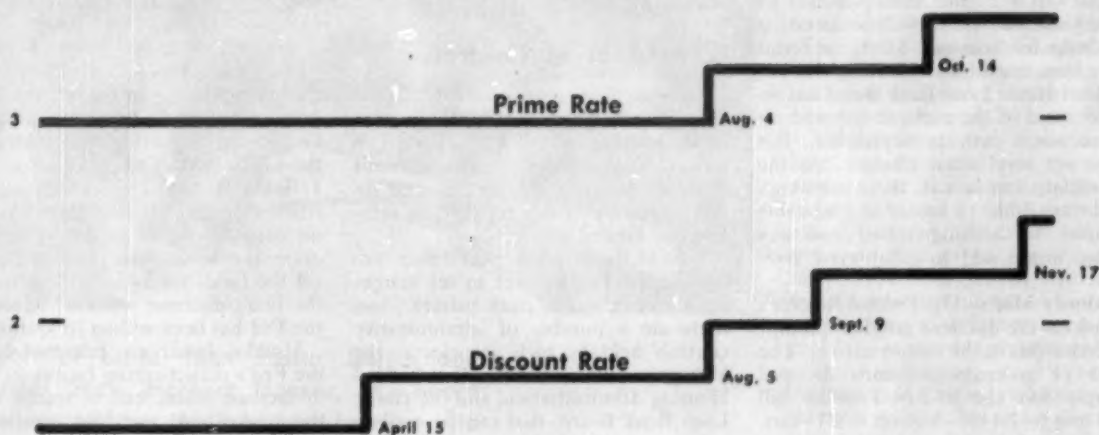
Call by Number. It's Twice as Fast.

BELL TELEPHONE SYSTEM



Percent per Annum
5 —

All year, the money managers have been making credit tighter and tighter. You can see that in the way the prime rate charged — by banks has been rising.



Now for the fourth time the Fed has boosted the discount rate. So watch for the prime rate to go up again.

0 Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov.

1955

Data: Federal Reserve Board.

©BUSINESS WEEK

Another Push on the Brakes

The Administration this week mustered its anti-inflation weapons. It has decided that it's time for full-scale resumption of the campaign that was eased off when Pres. Eisenhower suffered his heart attack.

The most conspicuous sign of the resumption of anti-inflationary activity came from the Federal Reserve System.

Going beyond the effort to merely hold the line on credit expansion, the nation's monetary managers last week signaled a still more aggressive policy of credit restraint. The Fed approved a hike in the discount rate—the rate at which commercial banks can borrow at the Federal Reserve—from 2% to 2 1/4%.

This was the fourth rise in the dis-

count rate in the last eight months, and the first since the President's illness. It reflected the belief of the majority of Federal Reserve officials that the economy has shaken off all uncertainty and must be firmly restrained from getting out of hand.

The Fed, of course, made its move independently, but its action was

known and approved by top officials in the Administration. Treasury Secy. George Humphrey, for instance, publicly declared he favored an anti-inflationary line. And he went on to state that "under the new cooperation that exists between the Treasury and the Federal Reserve, the full force of monetary policy has been made more effective more promptly than ever before. . . ."

• **Housing Credit**—Aside from the Fed's action and the approval of the Administration, the new belief in a need to combat inflation was also apparent in some moves that were not made.

There had been a widespread expectation that something would be done to alleviate the pinch on mortgage credit. In fact, officials in the housing field had hinted as much.

But this week the Administration let it be known that there will be no easing of credit for housing. Mortgage terms have been eased for servicemen, and the Federal Home Loan Bank Board has relaxed some of the curbs it imposed on its members early in September. But these are very minor changes. As the Administration sees it, there is enough credit available to insure a reasonable number of housing starts, and any easing would add to inflationary pressure.

• **Money Marts**—The Federal Reserve's action on the discount rate had prompt repercussions in the money market. The price of government bonds dropped sharply and the 91-day Treasury bill rate rose to 2.44%—highest in 25 years. Commercial banks raised the interest rate they charge on loans to brokers and security dealers from 3½% to 3¾%. Rates on bankers' acceptances were increased. Both commercial paper dealers and major finance companies boosted by ¼ point the interest they pay on short-term loans.

At midweek, the leading New York banks admitted that a boost in the present prime rate of 3½%—the rate charged to their biggest and best borrowers—was under "serious consideration." In addition, they said that the Fed's action would result in a much more careful scrutiny of their lending portfolios. This means that business may not only be paying more for loans, but may also find credit less readily available than it has been to date.

I. Inflation Revival

That's just what the Fed wants. The prevailing view in the system is that the economy is showing a resurgence of the inflationary pressure that had been evident before the President's heart attack.

The Fed sees this resurgence in a number of areas. It points to the stock market, which has recovered all the

ground it had lost. It also cites the fear that production is verging on the limits of capacity (BW—Nov. 19'55, p25), which creates shortages of critical materials and boosts industrial prices. And it is worried that inventory accumulation is again on the increase.

• **Expansion**—The Fed sees its interpretation reinforced by the reports of what business is planning to spend on capital equipment next year (BW—Nov. 12'55, p27).

In turning the credit screw again, the Fed insists that it doesn't intend to halt legitimate borrowing. It will make money available for continued growth, but it intends to control the supply of credit to keep reins on this expansion and to hold prices in check. According to one Reserve Bank president, "We would have been derelict in our duty if we did not move to restrain the economy."

II. Arsenal of Controls

In the fight against inflation, the Administration itself is putting most of its reliance on the Fed's arsenal of general and indirect means of credit control. Actually, the specific and direct controls available for fighting inflation are limited.

One of these specific and direct controls is the Fed's power to set margin requirements in the stock market. And there are a number of administrative controls held by such agencies as the Veterans Administration, the Federal Housing Administration, and the Home Loan Bank Board, that can be used to influence the level of mortgage demand. In addition, the Administration can resort to an "open mouth policy" of admonition and warnings.

All these weapons have been put into play since this year's boom started rolling. For example, the Fed raised margin requirements in January and in April.

VA and FHA first tightened mortgage requirements by requiring payment on closing charges, later tightened still more by insisting on down-payments and shorter terms. Then, too, Allan Sproul, president of New York's Federal Reserve, warned against the warehousing of mortgage loans, by which banks carry commitments until institutional lenders are ready to pick them up. Other officials such as Randolph Burgess, Under Secy. of the Treasury, and Arthur Burns, chairman of the Council of Economic Advisers, voiced caution over the level of consumer credit and speculation in general.

• **Main Gun**—But the main weapon has been the Fed's general controls over credit. All the other devices have been only supplementary. They are useful as a means of indicating the general policy being pursued by the Administration, but they are not by themselves

very effective as anti-inflationary weapons.

For example, a Fed official revealed this week that a new rise in the stock market margin requirement—to 80% or 90%—was being readied at the time Eisenhower suffered his heart attack. The market drop that followed put this plan on the shelf. When stock market prices recovered, the Fed didn't think a margin hike would be a strong enough check. Instead, it moved in with a discount hike, which it views as a much more effective warning.

III. Pinching the Banks

The decision to tighten the credit screws was not a sudden one. After the President's heart attack, most top officials were undecided about pressing forward with the restrictive policy that had been in operation. The Fed took the same "wait and see" position.

But the cumulative effect of the Fed's earlier moves actually led to a further tightening of credit. When the demand for credit kept mounting, the Fed resumed putting the squeeze on the banks (BW—Oct. 29'55, p26).

• **Banks Borrow Freely**—Despite a restrictive policy, however, there has been no real scarcity in credit. That's because the banks have been willing to get the funds for loans by borrowing at the Fed's discount window. Moreover, the Fed has been willing to let them.

Usually, banks are reluctant to use the Fed's rediscounting facility in order to increase loans, but in recent weeks the banks have met the demand for loans by increasing their borrowings from the Fed. As one Fed official put it: "The banks have been going into hock and liking it. We have to show them that they can't go on being in hock without some penalties."

• **Way to Crack Down**—The Fed could have cracked down on the banks by discreet warnings. This is what it did in 1953, when phone calls to the leading commercial banks discouraged them against borrowing from the Fed, although the discount rate was then only 2%. But shutting down the discount window brought a condition of near panic to the money market, so that credit became completely unavailable for a short time. In resorting to the more orthodox method of a discount rate hike, the Fed is attempting to curb credit expansion without any panic.

This does not mean that the rise in the discount rate will be ignored by the banks. On the contrary, the public signal given by the Fed is much more effective than a discreet warning in private. It gives the banks themselves an effective weapon to discourage new borrowings. In fact, it is the Fed's hope that higher interest rates will act as a rationer of credit.



Secy. of State John Foster Dulles and Under Secy. Herbert Hoover, Jr., board helicopter from the Pentagon to meet with the President in . . .

Reviewing U.S. Policy

Members of the National Security Council went to Camp David, Md., this week by automobile and helicopter (picture) for a post-Geneva review of foreign policy with Pres. Eisenhower.

After the disappointments of the second Geneva conference have been studied in all lights—political, military, economic—the verdict is almost sure to be: small change in present policies. The fact is that Russian smiles last July never thawed basic U. S. policy, so there's no need to refreeze it now.

Secy. of State John Foster Dulles stressed this in his report to the nation last week. Despite the Geneva failure, he said, our programs for defense and mutual security will remain about as is.

• **Foreign Aid**—This over-all decision doesn't exclude some revision in foreign aid. Already the combined impact of Geneva and the new Soviet economic offensive in the Middle East and South Asia (BW—Nov. 5 '55, p. 26)

has had one effect: Foreign aid won't be cut, as was widely discussed a couple of months ago. Reports this week that aid would be shaved by creation of a 20% reserve fund are inaccurate. This fund is merely a hold-back to give Washington extra flexibility to meet emergencies abroad; funds held in reserve will be channeled back into the regular aid program by the end of the fiscal year if no emergencies come up.

At the same time, it is unlikely that the Administration is ready yet to ask for an increase in foreign aid. Top officials in Washington look seriously at Moscow's vague but glowing promises of economic aid to the underdeveloped fringe countries. They are keenly aware of the dangers of an all-out Russian economic offensive in this strategic, aid-hungry area. But they aren't ready to follow the advice of some of their experts and rush into a big new program. They're inclined to wait until

they see the color of the Russians' money before they make any radical changes in the amount or kind of U. S. aid.

Present plan is to ask Congress next year for the same total of aid they asked last year—about \$3-billion. And actual appropriations would probably wind up at about the same \$2.7-billion as this year.

However, more money might be available for economic development this year than last. That's because out of the \$2.7-billion for fiscal '56, roughly \$1-billion was earmarked by Congress for military end items. An unspent balance of strictly military funds will be carried over into fiscal '57, leaving room for a bigger proportion of next year's appropriation to be used for economic aid.

• **Just Talk**—One of the top half-dozen foreign policy makers in the Administration puts the aid program this way: "The U. S. has established the best record for economic generosity in the history of the world. So far the Russians have given away little except talk."

He goes on to say: "I just don't believe the Russians have the will or resources to challenge us seriously in the aid field, and I'm sure they couldn't win if they did. I'd rather see us lose some political ground here and there temporarily than see us rush in like hysterical women at an auction, giving away billions of dollars to counter what probably is merely propaganda."

This skepticism could evaporate overnight, of course, if Moscow came through with a big aid program for India or a firm bid to build the High Aswan Dam in Egypt (BW—Nov. 19 '55, p. 142). But the Washington attitude puts it up to the Soviet Union to deliver before we'll change our fundamental policy.

• **Some Tightening**—To be sure, there will be some hardening toward the Communist world in other respects:

• **Arms shipments to Pakistan** will be increased sharply to counter Russian military infiltration into neighboring Afghanistan.

• **Israel** will get U. S. arms to partly balance Soviet bloc arms shipments to Egypt.

• **Less Venom**—Clearly the Eisenhower-Bulganin exchange of peace pledges last July hasn't led to anything permitting the U. S. to let down its guard. But it did reduce the fear of immediate war around the world. And it did change the manners of waging the cold war.

Secy. of State Dulles expressed it this way in his address to the nation last week: "The cold war, in the sense of peaceful competition, will inevitably go on. . . . We can, however, hope that this competition will not entail all the same hostility and animosity. . . ."



FORD'S NEW CONTINENTAL:

Selling Like Hotcakes

This week, the Continental Mark II—Ford Motor Co.'s \$10,000 car for people who like to stay ahead of the Jones's—had a birthday. It was introduced to the public one month ago.

This is a brand new price class for U.S. cars. So, to check on how sales are going—and to whom—BUSINESS WEEK set its reporters exploring. They found many more orders than Continentals. They also found that industrialists lead the list of buyers—partly because in some cases the company picks up the tab.

One other significant trend: So far almost all customers are putting cash on the barrelhead. When trade-ins are part of the deal, '55 Cadillacs, Lincolns, and Buicks are most often involved.

The Continental is a low-volume, high-cost car designed to add prestige to the entire line of Ford automobiles (BW—Oct. 8 '55, p104).

Currently the Continental is being hand-finished at the Dearborn (Mich.) plant at the rate of 13 a day, or less than 5,000 a year—compared with Cadillac's 150,000.

According to William C. Ford, 30-year-old grandson of the company's founder and general manager of the Continental Div., "the Continental is for an exclusive market—the prestige market—consisting of people of good taste who want an automobile embodying distinction, luxury, dignity, and quality."

• **Choosy**—In these well-heeled days, it

appears that there are plenty of such people.

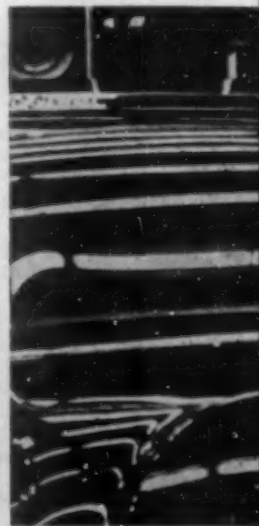
In Miami—one of the high concentration points of Continental's customers—30 people each have plunked down between \$1,000 and \$2,000 deposits for delivery within six months. This in addition to the four who already have theirs. Richard Boutelle, Continental's New York District Sales Manager, says his area's quota for the next three months has been sold.

The word has got around, and dealers feel they're in a position to pick and choose their customers. One salesman says "I won't sell this car to a man who doesn't belong in it, even if he has the money." Among the people he would exclude: gangsters, racketeers, and dope peddlars. Another dealer refused to make a sale because the customer didn't pass muster: He haggled over the price.

In Beverly Hills, one dealer has five customers willing to pay \$1,000 cash bonus for the car. This record is beaten of course in Houston, where all eight Continentals recorded as sold went for \$1,000 more than the factory-recommended price of \$10,000. Also in Houston, there are reports that an oilman is thinking of trading in his seven Cadillac Fleetwoods for an equal number of different colored Continentals. That way, he'll still have one for every day of the week.

Cleveland district dealers report they had a backlog of 67 firm orders three months before the first model rolled off the assembly line.

• **Owners**—All this adds up to the happy fact that the salesman doesn't have to get out and rustle up business for the luxury cars. One Los Angeles dealer recently sold a Continental to a man who already owns a Bentley,



WOULD-BE CUSTOMERS throng into showroom to place their orders for Ford Motor Co.'s new car . . .

Rolls Royce, Jaguar, two Thunderbirds, and a Lincoln convertible.

Other lucky people who have managed to acquire a Continental include Mervin Le Roy, movie producer; Stewart Granger, actor, who traded in a Mercedes Benz; hotel owner Arnold Kirkeby (his dealer thinks he has two); and Miami's George B. Storer of Storer Broadcasting. Another is A. L. Williams, who got the first delivery in Cleveland. Williams is fairly typical of the kind of customer Continental dealers prefer. A former officer in the British Navy in World War I and president of Clevite Research he moves about in Cleveland's better clubs and is considered a good "billboard" for the car.

Twenty-five Continentals have been shipped abroad, chiefly to England and Europe. But one foreign customer who wasn't around to accept delivery was Juan Peron.

• **Production Lag**—Most dealers who handle Continentals get between one and three a month. While such a trickle adds to the prestige by keeping down the number of Continentals on the road, it also raises some public relations problems. People with \$10,000 to spend on a car often feel entitled to pick up the phone and pester a Ford official about delivery dates. And a dealer gripes that he doesn't have a display model. "It isn't fair to talk business with the would-be customer, then tell him you can't even give him a ride in the car," he says.

A major reason why more Continentals aren't coming off the assembly line is that the division underestimated the market for air-conditioned cars. Air conditioning is the one major extra regularly available on Continentals. Everything else—automatic transmission,



... but most of them are doomed to long waits. The demand for the Continental far exceeds the supply.

power steering, radio, heater—is standard equipment. But Ford reports that so far about 80% of orders are for air-conditioned autos, and these require a different rear quarter panel. The division hadn't ordered enough bodies with air-conditioning openings.

• **Opinions**—Despite the elaborate quality control precautions in producing the Continental—it's test driven on the division's own track—there have been about 15 complaints about the car's performance so far, according to Douglas T. McClure, general sales manager. That's out of roughly 350 cars delivered up to this week. "A Continental owner's wrath is in proportion to what he's paid," McClure figures.

Division headquarters reports, however, that favorable comment is overwhelming. So are some demands for special equipment: ermine seat covers, TV, a bar. In New York, the wife of a wealthy toy manufacturer ordered the car before it was officially introduced, and had the factory install not only air conditioning and tinted glass (optional at no extra cost), but a deep fur floor covering. The car cost \$11,430.

• **Long Run**—Apparently the first lush days of the Continental are serving only to whet the appetites of some dealers, who look forward to the day when the assembly line will speed up.

Despite the fact Paul T. Henson, Lincoln-Mercury agent in Syracuse, N. Y., can sell every Continental he can lay his hands on, he takes prospects on one-day air tours to the Continental Div. at Dearborn. He invites four promising customers on each trip, and foots the costs himself. The group is met at the airport by a factory representative, and the customers are taken to lunch in the executives' dining room. As a result of only two trips, Henson has sold two Continentals—and three Lincolns.

• **Prospecting**—Other agencies expect to have to do some selling later when the first crop of customers is satisfied. Frank Graham of Atlanta, Ga., is already lining up prospects. "We know who's got money in Atlanta," he says.

Jim Mezey, of Mezey Motors in New York, had his sales staff go through Who's Who and business directories to compile a list of potential buyers.

A Cleveland dealer is considering putting one of its top salesmen on a solicitation basis in the spring. The salesman would take a dignified approach, and the prospect list would be culled from those who have money, position, pay their bills, and who would add prestige to the car they drive.

In Washington, one dealer says he will hunt for his customers in the society book. Another thinks doctors and lawyers are the best, while a third plans to work the embassy field.

Atomic Reactor for Belgium

Westinghouse gets the jump on the competition by selling a reactor—similar to the one built for the submarine Nautilus—to a group of Belgian industrialists.

Up to now, at least, it's the "hard sell" that counts most in the new international market for atomic power equipment.

Certainly aggressive selling was a major factor in last week's sale by Westinghouse Electric Corp. of an atomic reactor to a group of Belgian industrialists. Westinghouse previously grabbed off an agreement to supply a power reactor to Fiat Co. of Milan, Italy, but this deal can't be formalized until the U. S. and Italian governments sign an agreement providing for the export of the necessary equipment.

But the Belgian deal, with the Syndicat d'Etude de l'Energie Nucleaire (SEEN), a group of 20 manufacturers and electric utility companies, wound up as a completed contract. The reactor to be supplied by Westinghouse will be the heat source for an electric generating plant with a capacity of 11,500 kw. The U. S. already has an agreement with Belgium permitting exports of such machinery.

• **Business at Geneva**—The Westinghouse "hard sell" in this field first became apparent during the United Nations conference on peaceful uses of atomic energy at Geneva last August. The company's salesmen showed up at a trade exhibition being held in Geneva at the same time, with order books in hand. Fiat announced it would buy a reactor from Westinghouse before the trade show closed. Serious negotiations with the Belgians got started at the show also.

Other factors were involved, of course, but Westinghouse apparently got the jump by doing something that none of its competitors, U. S. or foreign, attempted. Before the Geneva show, the company decided that the most suitable reactor for the international market would be one of comparatively small electrical capacity—about 10,000 kw. Then it figured out pretty exact prices and delivery dates for such equipment to be produced in its shops.

• **Other Deals**—Westinghouse Electric International Co., which handled the Italian and Belgian negotiations, is keeping mum about other prospective foreign buyers, but it is known to be dickering seriously with three other groups abroad. And the parent company has admitted that it hopes to get orders for at least 10 of the 10,000-kw. reactors.

With a minimum of 10 such orders,

Westinghouse thinks it can produce these reactors for about \$4-million each to foreign purchasers.

Fewer orders would run the price up, because a larger share of the engineering and development costs would have to be attributed to each customer.

The Belgian reactor will be somewhat more costly, partly because it is larger-scale and partly because of the early delivery date. SEEN officials want to exhibit the reactor during the Brussels world's fair in 1958. It usually takes at least three to five years to build an atomic power reactor from scratch. Fortunately for the company, the reactor will be similar to the propulsion unit built for the submarine Nautilus. That is, it will be a reactor with solid fuel, with water under pressure as coolant and heat transfer agent.

Westinghouse will build the primary loop, consisting of the reactor and the pressurized water system. Belgian companies will help with the secondary loop, including turbine, generator, and waste disposal facilities.

• **No Precedent**—Industry sources that hoped the Westinghouse-SEEN contract would provide a pattern for settling the tricky problem of fuel supplies for foreign customers were doomed to disappointment.

Under present law, no reactor or fuel for it can be shipped from the U. S. except with the sanction of a diplomatic agreement. The U. S. has signed such agreements with 28 nations, but 25 of these provide only for experimental reactors that have no significance as a source of power. Only the agreements with Belgium, Canada, and the United Kingdom permit export of U. S. power reactors. And Britain looms as a competitor, rather than a customer, for American power reactor builders.

It's pretty clear that the U. S. government plans to clear the way for shipments of power reactors to other countries. The State Dept. and Atomic Energy Commission are working on agreements with a number of other countries.

But the Belgian agreement is certain to be a special case. That's because our principal supplier of uranium ore a decade ago—and still a major source—was the Belgian Congo. Thus, the diplomatic agreement on atomic energy signed with the Belgians last June was even more liberal than those with

Britain and Canada, which assisted the U. S. with the wartime development of the atomic bomb.

- **All-Out Cooperation**—AEC claims it has not completed its arrangements for supplying fuel for the SEEN reactor. But it told the Belgians and Westinghouse to go ahead with their announcement of the contract. That means AEC is committed to supply uranium metal for the project.

Prices for the uranium may not have been worked out, but they are almost certain to be as favorable, or more so, as any AEC will set for either foreign or domestic users. The supply will certainly be made available as long as Congo ore is shipped to the country.

One interesting feature of the AEC-Belgian negotiations came out. SEEN will return spent fuel to the U. S. for removal of fission products and reclaiming of unused uranium. This arrangement is guaranteed by the Belgian government.

Such a procedure is mandatory under the existing atomic energy law. Though there has been talk in industry circles of a possible change in the law to permit foreign countries to reprocess American-supplied fuel, the Belgian pact seems to put the nail in the coffin for such hopes. Now, only the British and Russians among the other countries of the world have facilities for reprocessing.

- **Belgian Concessions**—The Belgians, who have no law comparable to our Atomic Energy Act of 1954 for controlling development and use of nuclear materials and equipment, have agreed to follow AEC regulations on secrecy and safety in building and operating the SEEN plant.

They have also agreed to follow the requirements of the Atomic Energy Commission in accounting for use of fuel throughout the operating life of the plant.

So you can look for such requirements, at a minimum, in future agreements to be worked out later with other countries.

Cost of the Belgian plant is estimated by SEEN spokesmen at between \$400 and \$500 per kw. That would put total cost at \$4.6-million to \$5.75-million, extremely high for power equipment in this country but reportedly not so far out of line with the costs of conventional generating plants in Belgium.

Largest portion of this total outlay undoubtedly will go to Westinghouse for the reactor and related nuclear equipment.

J. van der Spek, manager of the Belgian syndicate, emphasizes that all the money for the plants will come from the companies making up the syndicate. "There will be no government aid," he said.



Air Raid Shelter Doubles as Garage

Ever since World War II, the prudent Swedes have been putting more and more things underground: factories, storage places, airplane hangars. Their country abounds in rock ledges that can protect against bombs and missiles. Now Stockholm has something new—a parking garage and service station (picture) in the mouth of a 1,700-ft.-long air raid shelter.

The tunnel will be completed next

spring, including another gasoline station at the far end. In event of an air attack, the finished shelter will house 20,000 persons at a time; meanwhile, the major part of it will be used as a garage for 500 vehicles on three levels.

Since the opening of the service station last month, gasoline sales have increased steadily. By the end of the first week, the pumps were putting out more than 2,500 gal. of gas each day.

Undersea Pipe

Houston company wants to build a 364-mi. gas and oil gathering line off the coast of Louisiana.

As an outgrowth of offshore drilling for oil and gas on the Gulf Coast, the Offshore Gathering Corp. has been formed in Houston to push a \$150-million project including underwater gas and oil pipelines stretching 364 mi. through the area of greatest activity. The company applied this week to the Federal Power Commission for a certificate of necessity.

The gas and oil collecting system would run in water 40 to 60 ft. deep from the Sabine River, near Port Arthur, Tex., to the southwest corner of Mississippi. It would parallel the coast for most of its distance, then cross the Mississippi delta in Louisiana and go underwater again to the Mississippi coast. Most of it would lie about 25 mi. offshore.

- **Prospects**—According to David C. Bintliff, president of Offshore Gathering Corp.: "Rapid development of oil and gas properties in offshore Louisiana, which is considered the most promising oil area in the country, makes the pipeline an attractive project and an economic necessity for the orderly marketing of oil and gas from the area."

Cost of the line will be financed by Salomon Bros. & Hutzler of New York City, if FPC approves the project. The two pipes, one for oil and one for gas, would make up the first major underwater system in the world, say the backers.

- **Backers**—Offshore Gathering is owned in equal shares by seven partners, each picked for his knowledge of various phases of such a project:

David C. Bintliff, president, a prominent Houston oil operator.

David T. Searls, vice-president and secretary, a Houston lawyer with a great deal of experience in handling FPC cases.

E. O. Bennett, head of Petroleum Consultants of Houston, which does a lot of pipeline engineering.

Sammy Collins, head of Collins Construction Co. of Houston, builders of underwater pipelines crossing the Narrows at New York (BW-May 24 '52, p 134) and the Hudson River.

H. J. Mosser, president of Associated Oil & Gas Co. of Houston.

John Williams, head of Williams Bros. of Tulsa, international pipeline contractors.

Salomon Bros. & Hutzler, who are arranging the financing.



GM AS EARTHMOVER: Raymond Q. Armington, now heading GM's Euclid Div., says Euclid had to merge to expand line; he testifies in Senate inquiry that's still . . .

Probing Around GM's Edges

For three weeks now, the Senate Judiciary Committee's subcommittee on antitrust and monopoly has been slowly cruising around the outer boundaries of General Motors Corp. So far, it has found little to indicate either antitrust violations or monopoly.

The subcommittee has looked into GM's growing non-auto enterprises: diesel locomotives, buses, earthmoving equipment. In all these fields, GM has become a successful competitor to established firms.

In earthmoving, GM's acquisition of Euclid Road Machinery Co. in 1953 got it into a completely new field. But Raymond Q. Armington, former president of Euclid and now general manager of GM's Euclid Div., told the subcommittee that Euclid couldn't have raised the money to expand and meet the competition of manufacturers having broader product lines without merging with a big company such as GM.

About the only specific antitrust or monopoly angle turned up by the subcommittee in the non-auto field was already several months old: the fact that Justice Dept. has been looking into GM's bus-making and selling to see if there's an antitrust case.

• **Closing In**—This week the subcommittee was just beginning to get into the subjects that observers feel will produce the most fireworks. It moved a bit closer to GM's central field of operations when it turned to the automotive parts industry. A rising number of complaints about GM's practices in this field, coming from independent

auto parts manufacturers and independent parts wholesalers, make it one of the hottest from the antitrust viewpoint.

Next week, the committee plans to hear from the National Automobile Dealers Assn. and individual dealers on the subject of manufacturer-dealer relations. This will give an airing to a host of dealer gripes about alleged coercion by GM and other car makers (page 54). The committee also expects to get into other special subjects next week, including ball bearings.

Just when the hearings will get around to major GM witnesses is a question. So far, only two witnesses have been GM spokesmen. But GM Pres. Harlowe H. Curtice definitely will appear, along with other GM officials. So it's clear the hearings won't wind up in the originally scheduled four weeks. At least another two weeks seem likely.

• **Parts**—The committee opened on auto parts with testimony from Donald P. MacDonald, a Federal Trade Commission lawyer. Senate investigators said they were anxious to learn if GM is living up to FTC orders issued in 1941. These banned GM exclusive dealing practices that required GM dealers to buy parts from it and to refrain from making outside purchases.

MacDonald assured the committee that the FTC staff presently is reviewing the results of a full-scale investigation of the records of GM itself and its dealers and ex-dealers, conducted to check complaints that GM was violat-

ing the 1941 order. He said a report by the staff is now being prepared for the commission.

• **Complaint**—E. L. Schofield, president of a small Illinois firm making automobile hot water heaters, complained that GM's Chevrolet Div. required its dealers to buy 1955 models equipped with factory-installed heaters. He charged that dealers told his salesmen they could no longer buy Schofield heaters, as they had previously done.

Schofield, however, included in his testimony an FTC report that his charges could not be substantiated. The FTC said dealers generally denied they ever said they couldn't get 1955 models without factory-installed heaters. A letter from GM chief counsel Henry M. Hogan denied that this was GM policy.

• **Target**—Principal target of critics in the auto parts field was the policy announced by GM in 1954, which in effect made all 19,000 GM car dealers wholesalers of automotive parts for the replacement market. This permitted GM car dealers to become competitors both of GM wholesalers and of independent wholesalers who sell replacement parts manufactured by independent parts makers.

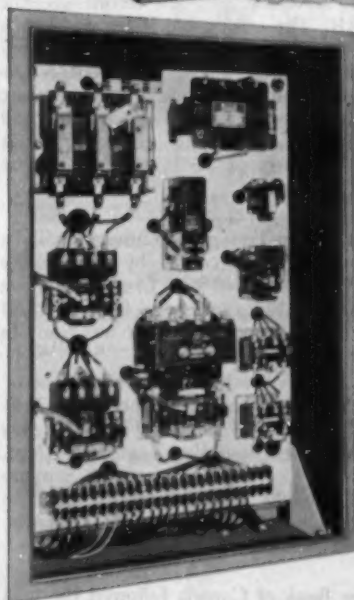
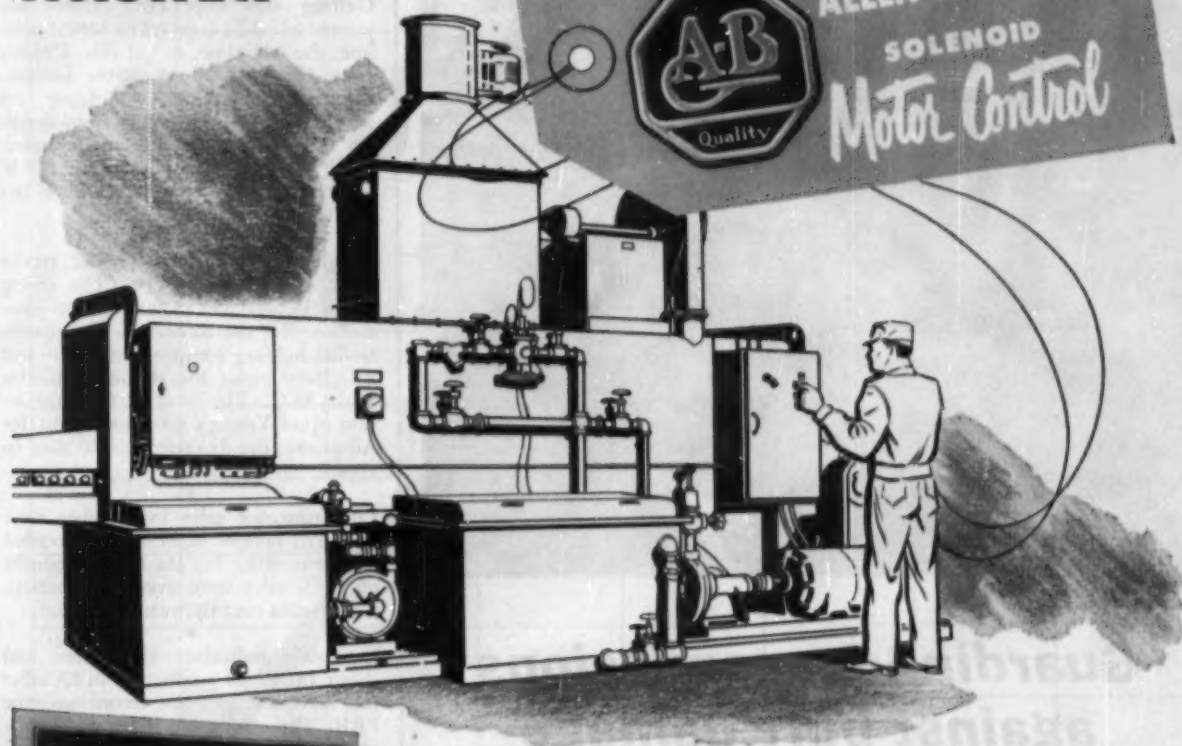
Critics say that by giving the GM car dealer an additional discount on those parts that he buys from a GM car division and then sells at wholesale, GM helps to freeze out both the independent wholesaler and the independent parts maker from a large part of the replacement parts market.

Harold T. Halfpenny, representing the National Standard Parts Assn., a group of independent parts manufacturers and wholesalers, said the committee must decide now whether it is time to limit GM and other major car makers to the manufacture and sale of cars, and leave the manufacture and distribution of replacement parts and repair of cars to independents.

G. C. Morris, representing the Automotive Wholesalers of Texas, hit at GM's advertising of so-called "genuine parts." This has a particular sting, he said, when GM buys these parts from the same independent parts manufacturer who supplies the independent wholesaler—and the independent can't sell them as "genuine parts."

• **Buses**—On buses, the committee heard testimony that several manufacturers—including the Twin Coach Co. and ACF Brill Motors Co.—were driven out of the business by GM's domination of the field. Thomas P. Butler, vice-president of the Flexible Co. of Loudonville, Ohio, testified that GM prevented sale of its diesel engines to Flexible in 1952—on orders of a "Mr. Wilson" in Detroit—because Flexible competed with GM in the sale of buses.

PETERS-DALTON POWER SPRAY WASHER



Control panel for the Peters-Dalton Power Spray Washer. While this control panel is special, designed for this particular job, all units used are standard, listed in the Allen-Bradley Handy Catalog.

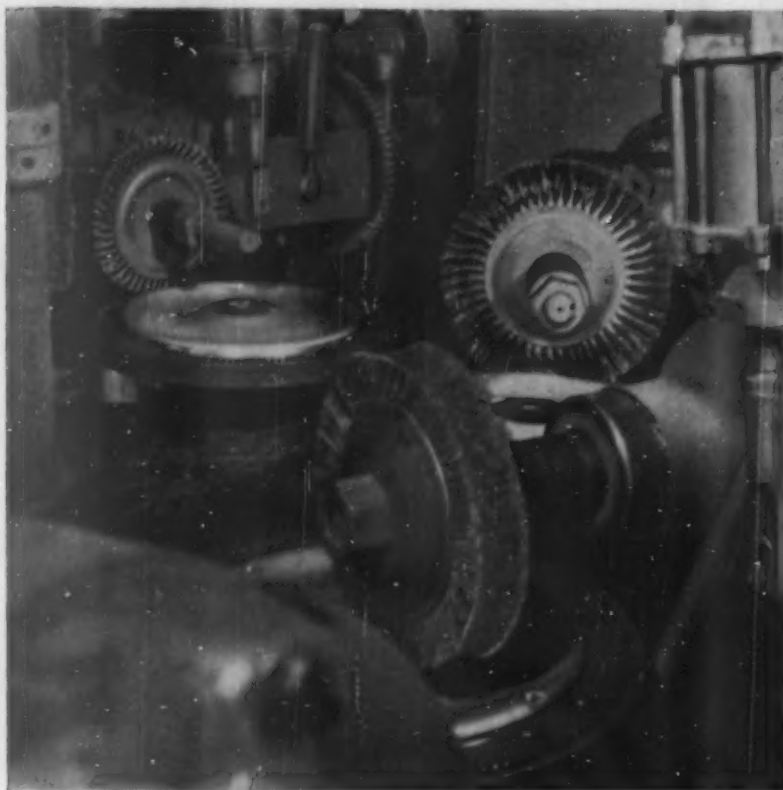
Many processes that formerly were manually operated or handled through separate facilities are eliminated in this new automatic, three-stage washer designed by Peters-Dalton, Inc. The unit is factory equipped with a special Allen-Bradley motor control panel.

Allen-Bradley motor controls were selected because of their reliable, maintenance-free performance. The starter mechanism is of the solenoid type with only *one* moving part. Such simple design means there is practically no chance for trouble. And—the double break, silver alloy contacts never need cleaning, filing, or dressing. You can forget about them during their entire operating life.

For modern, production machines it is important that they operate continuously. Therefore, specify Allen-Bradley quality motor controls!

Allen-Bradley Co.
1332 S. Second St., Milwaukee 4, Wis.
In Canada—
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ALLEN-BRADLEY
SOLENOID MOTOR CONTROL
QUALITY



Guarding transmissions against burr damage

POWER brushing quickly and effectively removes burrs which can break loose in service and cause serious trouble in automatic transmissions.

In the case of deburring holes in transmission cover plates, illustrated above, the operator simply loads and unloads parts after a one minute brushing cycle.

Automotive manufacturers employ a dozen or more semi and fully automatic brushing set-ups to remove sharp corners, blend surface junctures and produce micro-inch finishes here-to-fore impossible with ordinary finishing methods.

An Osborn Brushing Analysis may point out ways you can improve parts quality yet cut costs. Write *The Osborn Manufacturing Company, Dept. A-68, 5401 Hamilton Avenue, Cleveland 14, Ohio.*

Osborn Brushes



BRUSHING METHODS • POWER, PAINT AND MAINTENANCE BRUSHES
BRUSHING MACHINES • FOUNDRY MOLDING MACHINES

BUSINESS BRIEFS

Pitt Consol stock split, on a 3-for-1 basis, has been approved by the directors of the giant coal company. Stockholders will vote on the move on Feb. 7.

Getting into step: Ford Motor has pruned \$12.12 a copy off its lowest price line, the Mainline, to get into a closer competitive position with the bottom-price Chevrolets. But the trade sees no shift in the move away from generally rising auto prices; Studebaker underlined the point by boosting its 1956 models from 3.6% to 6% above last year's.

Alleghany Corp. is no carrier, says a three-judge federal court. The ruling reverses the ICC's claim to have jurisdiction over the Robert R. Young-controlled holding company, and may put Alleghany under the sterner dominion of the SEC. The court by the same action upset Young's refunding plans for Alleghany; the financier has 30 days to appeal.

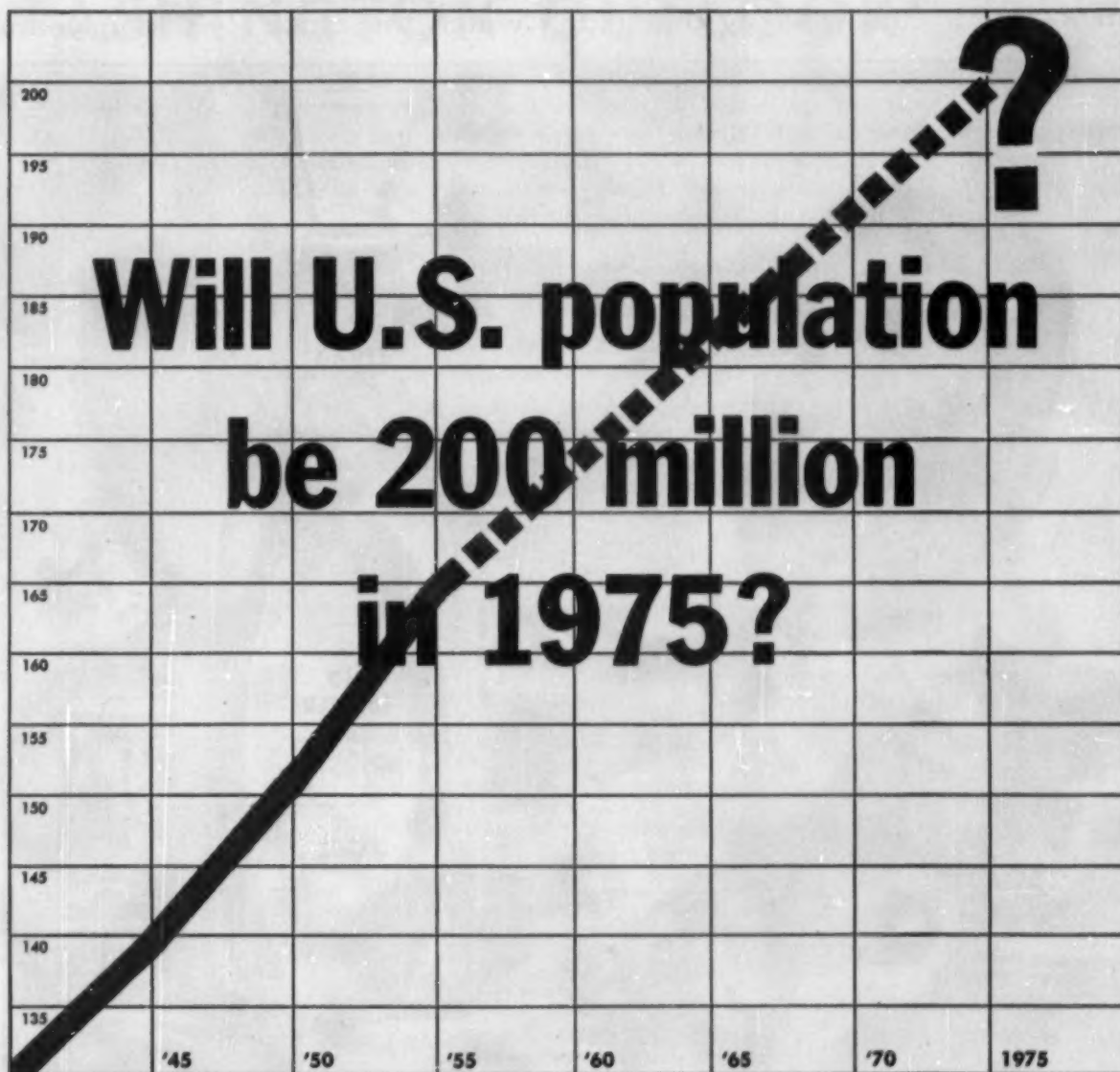
Life insurance sales in October were over \$3.7-billion, highest ever recorded for the month. For the first 10 months of 1955, sales were over \$38.3-billion, a 24% gain over the year-ago period.

Economic indicators from here and there: Industrial production in October rose seasonally to a new record, says the FRB. The unadjusted index was 146% of the 1947-1949 average. . . . Sales continue to run ahead of inventory accumulation this year, the Commerce Dept. reports. . . . Farm income will continue to decline next year, after 1955's drop of 10%, the Agriculture Dept. predicts.

Bethlehem-Youngstown merger will be fought in the courts by the Justice Dept., if the two steel companies move closer to the altar. Atty. Gen. Herbert Brownell reiterated that he was ready to act at any time.

U. S. imports in September were 21% above the 1954 month, but 1% below this August, says the Commerce Dept. The \$945.1-million figure for September brought the nine-month total to \$8.3-billion, a gain of 8% over the 1954 period.

The Bank of Canada followed the lead of the Federal Reserve system last week, raising its discount rate to 2½%—a ½ point above the U. S. rate and a record high for Canada. Canada has had no inflationary trouble, but observers see an attempt to keep pressure on prices from developing.



**Will U.S. population
be 200 million
in 1975?**

Between 1950 and 1955, America's population increased by 13 million—more than during the entire decade of the 1930's.

According to Census estimates, the U. S. population should grow from today's 164 million to a figure between 198 and 220 million in 1975.

Business executives are studying the effects of population trends on their particular markets—preparing today for tomorrow's opportunities.

A most important part of that preparation is the establishment of banking relationships that will provide ready availability of funds as needed.

The banking requirements of growing corporations in a wide range of industries are met promptly and resourcefully at The Bank of New York, a commercial bank for 171 years.

The Bank's policies are shaped to anticipate the needs of industry in today's expanding economy.

THE BANK OF NEW YORK

New York's First Bank • Founded 1784

Main Office: 48 WALL ST. ☆ Uptown Offices: 530 FIFTH AVE. ☆ MADISON AVE. AT 63rd ☆ MADISON AVE. AT 73rd
(Temporary During Construction)

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tick-tock... the whiskey that didn't watch the clock... 7 long years



A beautifully timed business gift... OLD CHARTER HOLIDAY DECANTER

In business and whiskey, alike, timing is vital. Seven long years of aging have brought Old Charter to the peak of rich mellowness, making it Kentucky's Finest Straight Bourbon. By the decanter or by the case, no whiskey gift could be more beautifully timed for the Holidays.

N.B. Eastern executives: figures show executives

in the Middle West, South and Far West are staunch *Bourbonmen*. Check over your gift list for this group, especially!



OLD CHARTER

KENTUCKY'S FINEST
STRAIGHT BOURBON WHISKEY

KENTUCKY STRAIGHT BOURBON WHISKEY • 86 PROOF • 7 YEARS OLD • OLD CHARTER DISTILLERY COMPANY, LOUISVILLE, KY.

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
NOV. 26, 1953

A BUSINESS WEEK

SERVICE

Stevenson's strategy is splitting the Democrats. The prospect now is for a red hot intra-party squabble in advance of the 1956 convention. It's a calculated gamble on Stevenson's part, aimed both at lining up delegate votes in advance of the convention and then at capitalizing in the campaign on moderation in government if, as expected, Pres. Eisenhower takes himself out.

—•—

The former Democratic candidate figures this way:

The South can tip things in a close nominating convention battle. So, court the Southern delegates with a middle-of-the-road position.

Then, in the campaign, bid for the swing votes—the so-called independents who figured big in Eisenhower's 1952 win. The promise will be continued impartial government. The Democratic left—labor, and price-minded farmers—will have to go along, because they are committed to the Democrats.

—•—

Look at Stevenson's bid, to get the picture. It shows the big problem—lack of issues—and the hope to become a "Democratic Eisenhower."

On foreign policy, it's mostly quibbling. It's hard to upset the average family with charges of failure at Geneva in view of the fact that Eisenhower stopped the shooting in Korea.

"Special interest" government isn't much of a family upsetter, either. Housewives know how pay has gone up, while the price level has held to a pretty stable line. They use a grocery store yardstick.

The farm bid lacks aggressiveness. Stevenson doesn't believe in supports at 90%. His backing is for a temporary period—for adjustments.

—•—

There's Democratic pressure on Stevenson to swing left—to cut loose from the "moderation" stand and shift over to the old "give-'em-hell" line, with promises of everything to everyone. The pressure is from the old New and Fair Dealers. And they will continue to put it on during the months ahead. Here are some of the things that they think the Democratic nominee should be for:

—•—

A farm price guarantee of 90% of parity—a permanent commitment.

Taft-Hartley legislation, at least to the extent of changing the name of the law, which is a limitation on union bosses.

An all-out attack on business, including special taxes on profits to finance school aid. This one may get hot.

And liberal credit policies, especially for home buying, even if this means price controls to avoid inflationary rises.

—•—

Republican politics will remain on the quiet side until Eisenhower makes his decision in 1956. There's behind-the-scenes maneuvering to build up alternative candidates. But until the President speaks, there can be no real boom for a successor. This worries party workers down the line. Their job is to line things up for local candidates and it's made more difficult when national leadership is in doubt.

—•—

Pres. Eisenhower's activities are increasing all the time. He's seeing

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
NOV. 26, 1955

more and more people and handling more and more White House business.

A close look, at Gettysburg: He steps spryly as he comes into his office in the corner of the local post office building. The news stories don't exaggerate when they report good color, sharp eyes, and the smile.

His office hours are limited. Usually, he spends only the mornings at the post office. There, he handles his mail and sees one or two callers. Then, it's back to the farm for lunch, a nap and an afternoon and evening of resting. The bridge games are starting again.

—•—

Restrictions are imposed at the farm, although they are being relaxed as recovery goes ahead.

The President paints for relaxation. This is mostly an indoor activity, now that the weather is cold.

He talks with his farm crew—about winter feeding of the livestock and crop plans for next year.

And he walks about the place, looking over the barns and fences.

—•—

There is little or no physical work. Before the attack, the President was an active yard man, even to the point of hoeing the garden.

Sports are limited. Eisenhower probably won't pick up his shotgun this season. He likes quail and duck shooting, and on farm weekends, he gave the crows a fit. Prospect now is that he won't get back to work on the crows until they start pulling up young corn in early summer.

—•—

As to Eisenhower's political plans, you don't even get a good rumor. His staffers still cling to the hope that he will run—that his recovery will persuade him that he can take another four years as President. But among non-White House connected political associates of the President, the expectation still is that he won't run. But they don't slam the door.

—•—

The next big Eisenhower show will be the session with Congress leaders. It will come in early December and probably will be held at Camp David, the mountain retreat above Thurmont, Md. That's where the President held this week's sessions with the National Security Council and the Cabinet. Politics are bound to get into the Congressional session. They will be on every mind, as plans for the January session of Congress are discussed, even if they aren't laid out on the table in partisan terms. Messages that Eisenhower will send to Congress in January will provide the running record for the Republicans in the 1956 election year.

—•—

Look beyond the credit restriction to the purpose: The Administration doesn't want to kill the boom. Politically, it's a tremendous asset.

Idea is to stretch out the boom. The tightening now (page 25) reflects Administration fears of an inflationary spiral; it's intended to keep rises in costs from soaking up the buying power of consumers. Theory is that buying deferred now—on homes, autos, etc.—will provide a cushion of demand for later on. In the meantime, the customer with the most cash will be favored. It's a way of limiting demand for materials and labor, which are becoming scarce. At the first clear sign that the peak has been reached and the threat is of a turndown, credit policy is to be relaxed.



REYNOLDS ALUMINUM

TUBED SHEET

Now Being Produced by Reynolds Patented Roll Bonded Process

Reynolds Tubed Sheet Assures:

- Greater freedom in tubing pattern designs.
- Greater efficiency—no loss in conductivity—tubing is integral to sheet.
- Greater economy through savings in manufacturing operations and in metal.
- Available in embossed pattern and color anodized.

No longer must tubing be extruded, formed, then brazed or welded to sheet to get a sheet with liquid or gas passages. Here is new Reynolds

Aluminum Tubed Sheet with tubing (any pattern desired) right IN it!

This new material, ideally suited for heat transfer applications, is now solving many problems for the refrigeration industry. Men in transportation, chemical and petroleum, construction and many other industries are also enthusiastic over the many advantages that Reynolds Tubed Sheet promises them. For full details contact the Reynolds office listed under "Aluminum" in your classified telephone directory or write *Reynolds Aluminum Fabricating Service, 2085 South Ninth Street, Louisville 1, Kentucky.*

WHEN A MINUTE CAN MEAN A FORTUNE!

EXECUTIVE: *Is that a storm ahead of us?*

PILOT: *Yes, sir. Looks like a bit of weather.*

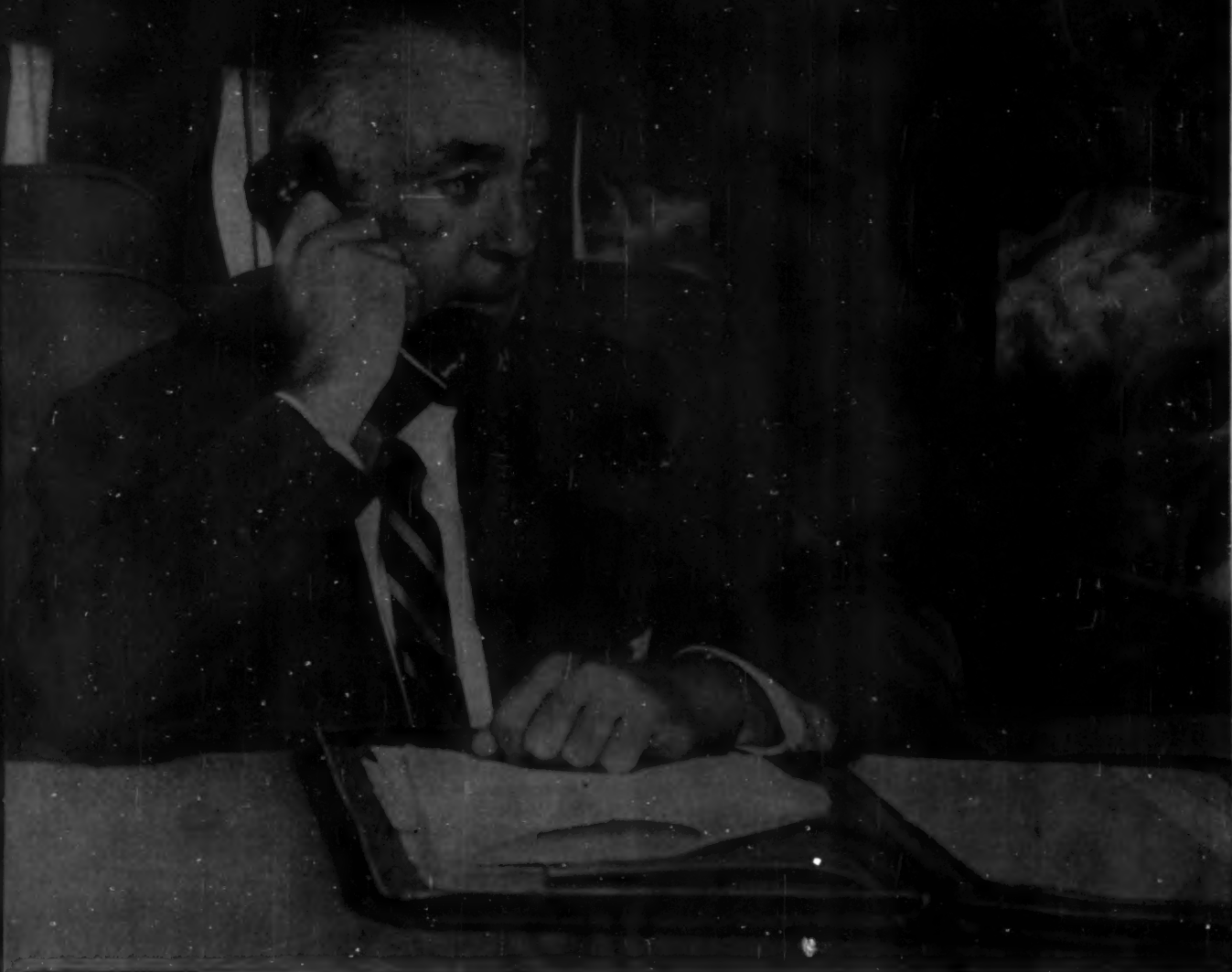
EXECUTIVE: *Does that mean we're going to get in late?*

PILOT: *I don't think so, sir. The radar shows we can make it without too much detouring. We should get in on time.*

EXECUTIVE: *Good! This is one meeting I can't afford to miss.*

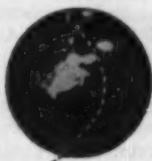
AT A TIME LIKE THIS—"When minutes are essential," an RCA Weather Radar (AVQ-10) in your executive airplane can mean the difference between a costly detour around storm areas and reaching your destination on time and maintaining your planned schedule.

Light in weight, low in cost, thoroughly proven, RCA's Weather Radar belongs in today's "standard-equipment" category. It presents your pilot with an easily-interpreted display of storm conditions as far as 150 miles ahead. By e



abling your pilot to "see" into storm areas along your course, he can select non-turbulent paths between them, making long detours unnecessary. The AVQ-10 also provides for valuable ground-mapping information, clearly showing such landmarks as lakes, rivers, and coastlines.

In view of the great and growing demand for RCA's AVQ-10 Weather Radar by leading air lines and business aircraft operators, those interested are invited to write for further particulars in order to assure early installation.



Dotted line shows how airplane passes between storm cells in its flight path, therefore saving time and increasing passenger comfort.



Minutes and miles are saved by being able to find a smooth path through turbulent areas.



AVQ-10 advances in the nose of airplane scans forward areas, enabling pilot to evaluate storm conditions far ahead.

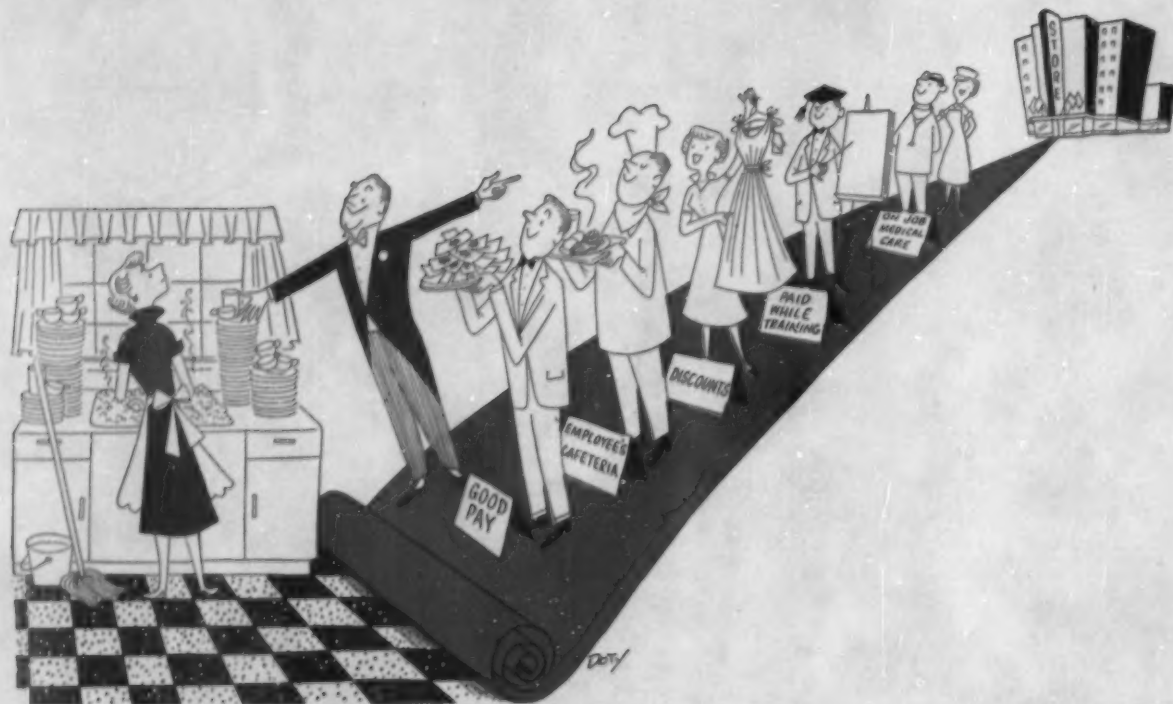


COMMERCIAL AVIATION SALES

RADIO CORPORATION of AMERICA

ENGINEERING PRODUCTS DIVISION

CAMDEN, N. J.



Extra help is the main problem for retailers as stores get off this year to . . .

Fast Start on Biggest Xmas Yet

The Christmas season elbowed its way into the stores extra early this year.

- In Houston, realizing the difficulty of getting seasonal help in the face of full employment, retailers banded together weeks ago to get a first crack at the labor market through a co-operative hiring program run by the local Retail Merchants Assn.

- Last week in Pittsburgh, some 200 downtown merchants launched the buying season extra early with a three-day "Prevue of Christmas," with Santa Claus and all.

- Chicago's State Street has been decorated for Christmas since the day after Hallowe'en.

- Louisville merchants say that Christmas buying has already started moving goods off the shelf.

So it goes in city after city. Certain that they are in for the biggest Christmas business in the country's history, retailers got a head start this year on everything from ordering goods to hiring people.

- **How Big a Gain?**—That it is going to be the biggest Christmas, no one has any doubt. The guesses on the increase in dollar sales over last year hover around the 5% mark, the figure recently

used by Jack I. Straus, president of R. H. Macy & Co., Inc. (BW—Nov. 19 '55, p18). Fred Lazarus, Jr., president of Federated Department Stores, Inc., puts the increase at 3% to 5%. In Dallas, where perpetual optimism reigns, the guessing runs as high as 15%.

But no matter what their dollar guess, retailers everywhere agree with Philip M. Talbott, vice-president of Woodward & Lothrop in Washington, D. C., and president of the National Retail Dry Goods Assn., who believes that "only a catastrophe" can stop this from being a record sales season.

There is good reason to think so, as a BUSINESS WEEK check throughout the country bears out.

I. Shopping Started Earlier

Retailers in a number of cities said they detected a bracing lift in sales and traffic just after Hallowe'en. By last week, Louisville trade observers were talking about "unusually heavy traffic." Dallas merchants were confident that last week's upsurge in sales in that city marked the beginning of Christmas business. In Kansas City an observer noted that "the ringing of cash regis-

ters is providing an early rendition of 'Jingle Bells.'"

In some cities, retailers spotted the trend through what has happened to their layaway time-buying plans. Phoenix merchants say that usually people don't start these plans until December. This year they started paying on the layaway plans as early as October. In fact, some merchants are bothered by this trend, and find it adds another problem to their wide assortment of Christmas problems—that of storing the goods until the customer finishes paying and takes delivery. As an added note, Woolworth stores in various places are reporting early and heavy runs on Christmas gift wrappings.

- **Few Laggards**—The reports were not uniform. In some areas, notably the East, merchants saw no particular early start on Christmas buying and were waiting for Thanksgiving to bring out the crowds, as usual. Other merchants figured that with an extra day for shopping this year—Christmas falls on a Sunday, giving a full week of shopping before the holiday—people would be taking their time about buying gifts. But these observations are counterbalanced by such reports as that from a Miami retailer who sent out a toy catalog on

*Our New Home
in Chicago...*



The
**UNION
STATION**

CANAL STREET AND JACKSON BLVD.

Union Pacific Domeliners and Streamliners now operate in and out of the modern Chicago Union Station via The Milwaukee Road between Chicago and Omaha. We know you will appreciate this improved service.

Domeliners

Streamliners

"CITY OF LOS ANGELES"

Daily service between Chicago and Omaha-Salt Lake City-Las Vegas-Los Angeles.

"The CHALLENGER"

Daily service between Chicago and Omaha-Salt Lake City-Las Vegas-Los Angeles.

"CITY OF PORTLAND"

Daily service between Chicago and Omaha-Portland-Tacoma-Seattle.

"CITY OF SAN FRANCISCO"

Daily service between Chicago and Omaha-Ogden-San Francisco.

"CITY OF DENVER"

Every night, overnight service between Chicago-Omaha and Denver.

All trains provide Pullman accommodations and reserved coach seats with leg-rests. NO EXTRA FARE or Coach reservation charge.

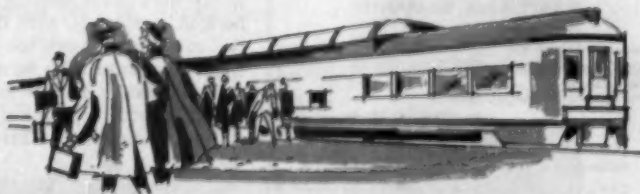
The money-saving Family Fare Plan applies on all Union Pacific trains.

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Enjoy restful travel by train and rent a new, insured Hertz car on arrival.

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Union Pacific, The Milwaukee Road and all Hertz Rent-a-Car agencies honor Rail Travel Credit cards.

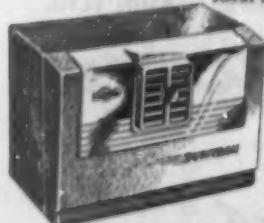


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Leading medical authorities have shown that tobacco smoke and resulting odors are not only unhealthy—but reduce your efficiency! Now, the PURITRON, a miracle of electronic engineering, will clear the air of smoke, odors and disease bacteria. Ideal for



- Business
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MODEL F-40
for 20" x 20" Rm
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The **PURITRON**
\$39.95

- will change air 5 times/hour by powerful fan-circulator
- will filter air free of smoke, dust and pollen
- will kill air-borne disease bacteria, using Westinghouse Steri-lamps
- will remove all unpleasant odors
- will increase oxygen supply for that "pick me up" feeling
- plugs into any electric outlet, requiring no installation
- is portable, and measures only 9 1/2" w x 8" d x 6 1/2" h

Try the Puritron in your office for 10 days
ON OCT . . .

MONEY BACK GUARANTEE
The Puritron is a welcome gift

OZO SALES CORP.

15 Stiles Street
New Haven, Conn.

Please ship **PURITRONS @ \$39.95 ea.**

To _____

Address _____

City _____

State _____

☐ White ☐ Gun-metal Grey

☐ Check enclosed ☐ Send Invoice

☐ Send on _____

gift from _____

Dealer Inquiries Invited

"... San Francisco merchants are already worried about having to restock earlier than they anticipated ..."

BIGGEST XMAS starts on p. 42

Nov. 1, and says results from it are already "terrific."

Retailers generally feel that they have already seen enough of the consumer's actions to know how he will be doing his shopping this Christmas.

• **More Lavish Gifts**—One of the keys to consumer buying is upgrading—the buying of better and more expensive merchandise. Retailers widely believe this will be a marked characteristic of this year's business. Upgrading in buying is, of course, a continued postwar phenomenon. A Houston merchant says that this year alone he figures the average purchase is up about 3% in price. A Los Angeles report, based on talks with both upper-bracket and lower-price stores, indicates that there is a widespread "push to higher-priced goods." In Phoenix, "customers are elbowing the cheaper stuff aside." Local merchants figure the median purchase is up 12% over last year. Imported goods are getting a particular rush.

So are such things, according to merchants, as lavish toy train layouts, motor-driven toys, furs. Even \$85 men's cashmere sweaters are selling in Cleveland and a mink-covered beer-can opener (\$1.50) is doing well in Miami.

The trend poses some worries in San Diego, where at least one merchant wonders if upgrading isn't going to throw inventories out of kilter. A Miami retailer adds this note: "If we have any trouble inventory-wise, it will be because of a shortage of better goods."

• **Hot Lines**—In general, the items expected to be hot sellers this year by specialty and department store people are toys—voted at the top of the list by almost everyone—sportswear for both men and women, and appliances.

The hope for appliances has a doubly interesting twist to it. For one thing, up to recently, appliances have not been notably a Christmas gift item. For another, department stores until very recently have been cut out of this business by the discount houses. But in the last few months, department stores have been making a big comeback in appliances, with the result that this category of goods has accounted for their biggest gain in business percentage this year. Department store people expect the trend to continue strong during the Christmas buying season.

II. Stores Ordered Earlier

Many stores began stocking up on Christmas goods in October this year, earlier than is their usual custom. This

resulted partly from the anticipation of a record Christmas, partly from past experience at other peak buying periods, when stores had found that they were short on goods. This was true, for example, in Washington, D. C., when a lot of merchants were caught with small stocks last Christmas because they had been too cautious in ordering.

Inventories are now at a record peak. The department store index for inventories in October stood at about 130, as against 122 the year before. Even so, it does not look as though inventories are out of line. The crucial stock-sales ratio appears to be about what it was last year; this means that stocks are pacing increased sales.

• **Under Control**—Actually, retailers' buying policies have been mainly on the cautious side rather than the reverse. This stems on one hand from merchants' traditional way of doing business. As one Philadelphia merchant puts it, "There's no need to build up inventory when you can get what you want." They now have an additional reason for caution. A number of retailing economists today point to the danger of inventory cycles and of building up stocks too high. One retailer pretty much described today's situation when he said that stocks are "on the high side but in good control."

At the moment, despite the fact that many sections of the economy are pressing the ceiling (BW-Nov. 19'55, p. 25), there are very few reports of shortages or of difficulty in getting goods. Here and there are some worries. The New England floods have held up the filling of some textile orders. And there is talk of some difficulty in getting consumer goods made of metal. Louisville, for example, reports that bikes are hard to get. But these reports are scattered.

If there is any trouble in getting goods, it looks as though it will be the fault of the stores themselves in not having ordered enough in the first place. San Francisco merchants, for instance, are already worried about having to restock earlier than they had anticipated.

III. Hiring Started Earlier

If stores this year have a major worry it's that peculiar one for retailers that has resulted from the booming postwar economy—the problem of getting extra help. It's a headache that seems to get worse each year.

"Even Santa Claus are scarce this year," reports a Cleveland store executive, who is searching now for candidates among retired policemen. In Los



Cost-Cutting Chain Reaction Triggered by **SPEED CLIP®**

Savings for the parts supplier, the television manufacturer and the ultimate user! That's the triple play that begins every time Centralab, division of Globe Union, Inc., Milwaukee, Wis., assembles a "Snap-Tite" television control. Here's why: There's a job-engineered Tinnerman **SPEED CLIP** in every control assembly.

A simple two-at-a-time hand operation speeds assembly of controls to chassis for an amazing 73 per cent savings in time. No special skills or tools are required. Spring steel fingers of the **SPEED CLIP** snap past the panel as inserted . . . hold the controls firmly in place and automatically spaced away from the chassis. Removal for service is simply a matter of pinching the spring fingers inward and slipping the control free.

Another example of Tinnerman fastening know-how, this part is just one of more than 8,000 **SPEED NUT** brand fasteners designed to make standard or complex attachments. **SPEED NUTS** can bring savings to you, too. See your Tinnerman representative soon and write for your copy of "SPEED NUT Savings Stories".

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FASTEST THING IN FASTENINGS®

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Special Speed Clip gives doors extra model flexibility and saves money.



Adjustable awning assembled in 63% less time with special Speed Nuts.



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More than 8,000 shapes and sizes

TURKEY... AND TUBING!



■ There is no "holiday season" at TMI. Around the calendar, we're meeting and beating rigid specifications for straightness, finish, close tolerance and special shaping in cold drawn stainless and alloy tubing that "talks turkey" in no uncertain terms. We've carved ourselves a position of respect and responsibility.

■ Who "sits around the table" to share TMI tubing? Design and experimental engineers, production superintendents, purchasing agents... and management.

■ It's our job, and the job of every foot of TMI tubing, to make their products better and to protect their profit position. Our recipe for your confidence: TMI's tools, men and experience, seasoned with a reputation for cooperation. May we serve you?



TUBE METHODS INC.

METALLURGISTS • ENGINEERS • MANUFACTURERS

BRIDGEPORT (Montgomery County) PA

Angeles, merchants are even worried that the shortage of help may curtail sales somewhat. You can see the magnitude of the problem when you realize that big downtown stores have to hire 1,500 or more people for the holiday season.

• **Rare Jewels**—In most places it's a question of finding enough people; everywhere it's also a question of finding the right people. A report from New England says, "There are plenty of part-time workers available, but these are bodies they set up against the counters—mainly high school kids who don't know anything about retailing." A Midwestern merchant laments, "Instead of hiring one to do the job, it takes three now." A Southwesterner comments, "A salesperson who knows the business is like a rare jewel this season."

• **Tighter Squeeze**—Retailers find themselves in an exaggerated form of the squeeze play that usually presses them. Two reports from different areas throw the problem into high relief:

Boston: "Pay in stores ranges from 80¢ to 95¢ an hour for a 40-hour week. Every personnel manager reports that prospective employees almost all say, 'Is that all you pay?' They think that the federal minimum wage should apply to retailing—which, of course, it doesn't."

Louisville: "People are demanding more all the time, says one store man. 'Why, we have young fellows coming in here with no experience, who don't hesitate to ask for \$50 a week. It seems they are comparing with industrial plants and expect the same pay employees in unionized industry are getting.'"

People not only don't like the pay stores offer; they also don't like retailing hours. So despite the fact that bigger stores now commonly resort to display ads in the front sections of newspapers offering Christmas employment, they still can't get enough candidates.

• **Downtown Blues**—Generally speaking the situation is worse downtown than in the suburbs. In Boston, as an example, the downtown stores are having a tough time getting enough help, while their suburban branches say everything is fine. The reasons for this are varied—and fairly obvious. People don't want to spend hours getting to and from work downtown in traffic jams.

Furthermore, the downtown store needs more skilled help—bookkeepers, auditors, and so forth—while the stores on the outskirts mainly require clerks. On top of this, the suburban store sits smack in the middle of a big pool of the kind of labor the department store can draw on most readily—housewives.

• **Lures**—To lure in housewives, as well as teachers, retired people, young preachers, students, and similar groups,

retailers this Christmas season are using about every appeal in the book. The chief one they use, of course, is the opportunity to earn \$200 or \$300 extra for a few weeks' work. They also throw in such lures as the privilege of buying goods at the employees' discount, use of employees' cafeterias, free on-the-job training, free medical attention—and the pleasure of getting out of the house and away from dishes and children.

Many stores are raising the ante as regards pay this year. They find they have to. In Detroit, for example, with industrial employment sopping up 97% of the industrial labor pool at an average pay of \$97.50 a week, a lot of women aren't lured out of the home for \$200 or \$300 pin money. In New York City, Abraham & Straus, for one, has raised its beginning pay for Christmas help by several dollars over last year. In Houston, the Joske's branch store has pushed pay up 15% over last season.


• **Their Own Tickets**—Many retailers are willing to make almost any accommodation the employee wants by way of hours. This is particularly true in Pittsburgh, where new employees can just about write their own tickets. It is also true of Woolworth's in Houston, which is signing people for an 11 a.m. to 3 p.m. shift—hours that will keep them out of the worst downtown traffic jams.

As for employees' discounts, the stores are raising the ante here, too. These may run as low as 5%; in general, retailers say discounts average about 10%. But this year some stores are having to go up to 20%.

The other gimmicks are legion. A Syracuse store pays regular employees for every employee they bring in at the rate of \$1 a week for each week the new extra stays on the job. In Cleveland, some stores are paying their regulars a flat \$10 for every successful applicant they bring in. And the Macy's store in Kansas City is advertising that it will staff a new suburban branch from among the Christmas help it hires.

• **It All Adds Up**—Knowing the job they are up against, stores report that they started earlier than ever this year hiring extra help before the labor market dried up. Neiman-Marcus in Dallas was one such store. In Houston and in other cities, the retail merchants associations started aggressive campaigns to line up people early in the game.

But even this foresight can give a store added problems. It means that the extra help is on the payroll longer—say, from Nov. 1 on through Christmas—instead of just during the last few weeks. And this in turn means added payroll costs to pay for people who are lounging around when business is comparatively light. **END**

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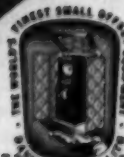
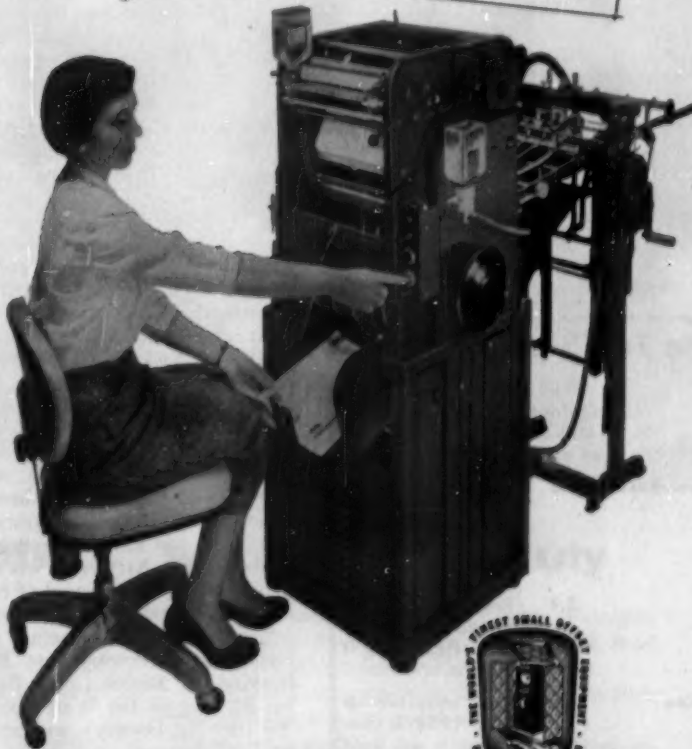
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Joseph E. Griesedieck (left), president of Falstaff Brewing Corp., hopes to see the day when his company becomes top supplier to the nation's beer drinkers. Meanwhile . . .



Falstaff Jockies for No. 4 Spot

Joseph E. Griesedieck (above), 36-year-old president of Falstaff Brewing Corp., is busy playing one of the brewers' favorite games: musical chairs. The particular chair he is aiming at is the No. 4 spot on the 1955 brewers' list. Last year, Falstaff was accounted No. 6; as recently as 1952, it was eighth in barrel output. If it achieves its goal, this will put a regional brewer among the very top scorers.

This St. Louis concern is one of the breweries whose steady growth under-

scores the commotion in the brewing world. In the past decade, the giants have taken over a steadily increasing share of the market. The shift to packaged beer and to home consumption put a heavy stress on brands, and gave the national advertisers an edge. Truck shipping also helped them cover their market. The local brewers' price advantage often hasn't been enough to offset these advantages.

Small brewers have succumbed like flies. The number of licensed brewers is currently estimated at less than 300; right after Prohibition, it was around 700.

• **Striking Back**—In the last year or so, there is evidence that some of the regional and local brewers are striking back. Anheuser-Busch, Inc., Jos. Schlitz Brewing Co., P. Ballantine & Sons, and Pabst Brewing Co. are—or were last year—still at the top, but their output is down a bit from a few years ago. In 1952, the top four had roughly 24% of the market; last year it was down to 21.9% after a long period of continual year-to-year percentage increases.

Lusty regional concerns such as Lucky Lager Brewing, San Francisco Brewing, D. Adolph Coors, Regal Amber Brewing on the West Coast, Lone Star Brewing, Drewry's, and, among the smaller national companies, Theo. Hamm Brewing, are coming up strong. Liebmann Breweries, Inc.—known only in the East till a few years ago, is among the top six—another regional to hit the big time. Falstaff, with only 35% of the total market covered, is up there, too.

Over-all beer output through the first eight months this year topped last year's by only about 3%. Anheuser-Busch, last year's champion, showed a 7% drop in dollar sales for the first three quarters this year (BW-Nov. 19 '55, p. 114); Pabst, with a 9% drop in

the first half, isn't publishing a third-quarter statement. Schlitz and Ballantine don't publish sales figures; both companies report they are ahead of last year.

There are several unknown quantities in the field, but so far Falstaff's 14% increase for the first nine months (from \$52.4-million to \$59.8-million) looks good. A record nine-months' output of 2.8-million bbl. gives it hopes that it will come close to 3.7-million bbl. for the year—about even with Ballantine's production last year.

• **Coup**—Falstaffians have an added glint in their eyes nowadays. The company has stolen the No. 1 spot in its hometown, St. Louis, from under the nose of giant Anheuser-Busch. In September, Falstaff reports, it had 35% of the St. Louis market—against Busch's 26.5%. A year ago, thanks partly to Budweiser's price cut in the area, Bud had 39% of home sales; when Budweiser upped prices again last spring—bringing it back to 30¢ a case above the competition—Falstaff grabbed off a bigger chunk of the market.

In the beer industry this is a day of skirmishes, shovings, and fast footwork. Anheuser brought out two new brands in the last couple of years. New containers are popping up—Anheuser brought out a "slim" 10-oz. can a week ago to compete pricewise with the 12-oz. local beers. Pabst this week has a new quart can with a trick pop-up opening (page 57).

• **Steady Course**—In the midst of the furor, Falstaff has stuck with one beer, Premium Quality Falstaff, and to a minimum of packaging. Up to a point, its growth typifies that of other up-and-coming merchandisers. In some respects, it has pioneered the field.

One important policy that Falstaff pioneered was that of decentralized ex-

The Top Six Brewers

	1954 Output (Millions of bbl.)	1955 Prospects
Anheuser-Busch	5.8	Dollar sales down 7% for three quarters. Probably will lose No. 1 spot to Schlitz
Schlitz	5.4	Reports it's 10% ahead of last year for first eight months
Ballantine	3.7	Says sales are up from 1954; is confident it will hold No. 3 spot
Pabst	3.4	Gross dollar sales off 9% in first half. "Hopes to beat last year"
Liebmann (est.)	3.4	Sag in West Coast sales may hurt
Falstaff	3.3	Dollar sales up 14% for three quarters. Hopes to take No. 4 spot, maybe No. 3

1954 Data: Bureau of Census, St. Louis.



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pansion. Its first move out of St. Louis took place in 1935, when—in a then venturesome step—it opened a brewery in Omaha.

In those days, brewers were still pulling themselves together after Prohibition's knockout blow. "Papa Joe" Greisedieck, founder of the company and grandfather of the present president, came from a long line of German brewers. But he had been in business on his own only a couple of years before Prohibition. To keep his company going, he made near beers, soft drinks, even processed hams and bacon. With little financial backing, he scraped together enough money to buy the Falstaff trademark.

- **Expansion**—Somehow, he got by. Before the year of repeal was out, Falstaff had taken over a second St. Louis plant. Two years later it was in Omaha. In 1937, it had another St. Louis brewery. A postwar expansion—\$8.5-million—included a new St. Louis plant (one of the old ones was scrapped), and another move, this time to New Orleans. In 1952, it bought a plant in San Jose, Calif. Last year it took a lease with option to buy the old Berghoff brewery at Ft. Wayne, Ind.

In the postwar period, the big brewers have followed Falstaff's example, Anheuser, Schlitz, Pabst, Liebmann all are in California. They have moved east, and south, too.

- **Key to Strategy**—Decentralized expansion is perhaps the key to Falstaff's strategy. But it is concentrated decentralizing. Its rule of thumb has been, when it took on a new brewery, to set its sights on a marketing area within a 250-mile radius of that plant. And one of the company's principles is to get a firm hold in one area before it tries another.

What locations it aims for depends partly on its own market research into an area's potential, and on where it can get a brewery at a good price.

Thus, when it moved to California in 1953, it really had an eye out for the rich Los Angeles beer market. It couldn't find a bargain in that market, so it went to San Jose. Currently, it doesn't sell in Southern California, and its sales have suffered as a consequence. Its San Jose brewery's sales to its own market are down 12% from last year.

- **Problems**—The situation in California, in fact, highlights some of the problems of expansion. There, several strong regional brewers—Lucky Lager, San Francisco, Regal Amber—are holding their own in the face of the invaders' competition. Schlitz and Budweiser have made sizable gains there, but Pabst's sales are down 13% for the first nine months. Liebmann is off 48% at its Rheingold brewery, and recently it closed up the Acme plant it had taken over though its New York

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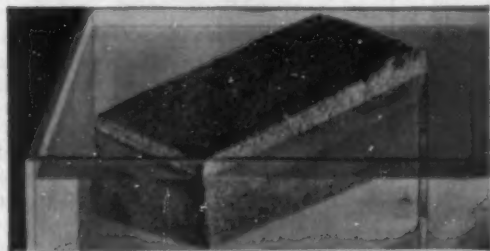
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brewery reportedly is ahead. Goebbel is another invader who shut down. Hamm, on the other hand, selling in the Los Angeles area is skyrocketing. Joe Griesedieck isn't too concerned over the slide on the Coast. He is still looking for an entry to the Los Angeles market, and the San Jose plant is in the black, he says.

The advantage of having a plant close to the market is obvious. At wholesale, Falstaff sells for less than other "premium" beers, and is close in price to local brews. At retail, in some areas, it's priced with the premiums.

Falstaff believes it cuts costs other ways: by one brand, no effort at variety of packaging, and concentration of its advertising dollars.

• **Pioneer**—The Griesediecks may lack the color of the flamboyant Busch family. But they realized the potential of tying beer with baseball long before Gussie Busch took over the Cardinals (BW—Feb. 27 '54, p48). Harvey Beffa, now Falstaff executive vice-president, signed up Dizzy Dean back in 1941 to broadcast ball games over radio. The Griesediecks feel that Dizzy, with his murderous English, is worth more than Musial and the Cardinals. Three years ago, Falstaff moved into TV, became sponsor of the baseball Game of the Week, telecast over more than 80 stations in the past season. It represents Falstaff's biggest advertising outlay.

• **Supply-Demand**—Despite its cautious expansion program, Falstaff sometimes finds itself in the happy predicament of being short of output. Last year, the New Orleans plant couldn't supply the Texas wholesalers with all the beer they wanted; the company had to ship from Ft. Wayne, St. Louis, and even San Jose. In July this year, again, it resorted to rationing.

Manpower is another expansion problem: It is company policy to promote from within. And Falstaff waits till it has a strong nucleus of its own personnel to set a new brewery going.

This is in line with the whole Griesedieck outlook. A new Falstaff employee is told at the start that "Falstaff is not interested in employees with a 'big-shot' complex." The only man who has a Mr. tagged to his name is Alvin Griesedieck, son of the founder and now chairman of the board. He is Mr. Alvin.

Last year, Falstaff and its salesmen held 1,800 sales meetings at one level or another. It means that the Falstaff executives stick closely to their knitting. "We haven't time to run ball clubs, sell high-priced and low-priced beers," says Beffa.

Joe Griesedieck looks to the day when his company will reach the 11-million-bbl. stage. "One thing is certain," he says, "all of us here have our eyes on the No. 1 spot." **END**

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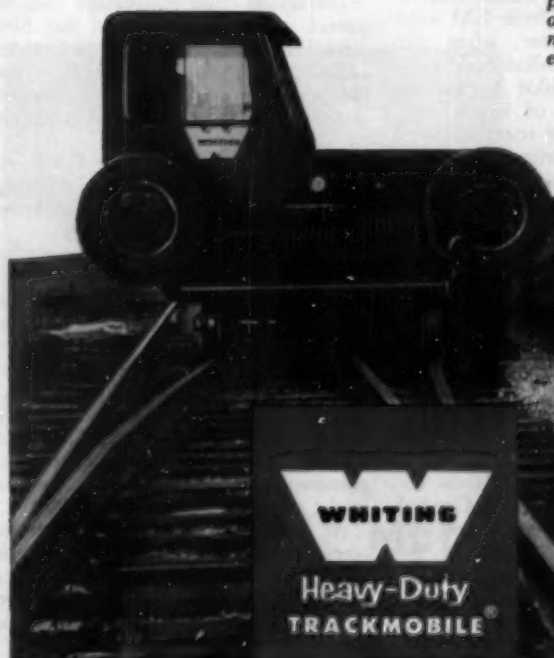


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● In other states, disenfranchised agencies are suing, or seeking protective laws.

A man named J. Ed "Brick" Travis Jr., may end by causing the car industry a considerable amount of trouble. Travis, owner of the Travis Service Co., until recently, was the Buick-Pontiac-GMC dealer in the town of St. Charles, Mo., about 20 miles from St. Louis. Last Friday, Travis was the subject of a "hearing" conducted by national and state officials of the National Automobile Dealers Assn., which looked into the reasons why General Motors cancelled his franchises.

It was probably a unique incident in the long history of troubled relations between auto makers and their dealers. Some 35 solid citizens of St. Charles, including a minister, a banker, and the president of Lindenwood College (a girls' school), arose to laud Travis, or "Mr. Buick," as Mayor Henry C. Vogt called him. And they smartly rapped GM for sloughing off a veteran dealer whose father before him had held a Buick franchise dating back to 1906.

• **Loving Cup**—One of the high points of the meeting came when Travis held aloft a silver tray that had been presented to him two years ago on joining—so the inscription said—"the proud roster of Buick dealers distinguished by their sales achievement for a quarter of a century or more."

Consensus of the meeting was that Travis had been a respected, successful, and aggressive dealer and that GM had no cause to drop him. All that GM will say publicly is that Travis' "performance was inadequate."

• **Precedent**—Ordinarily, this might seem too local and minor an issue to stir Detroit. It is unlikely that the St. Charles hearing in any event will win back for Travis his franchises (the Pontiac and GMC franchises have already been reassigned). But coming as it does in the middle of an increasingly bitter battle between manufacturers and dealers, the incident—particularly if it is followed by similar hearings—may in the long run be hard for Detroit to ignore altogether.

• **Background**—The background to the Travis affair is a whole series of legal suits by disenfranchised dealers, of attempts by dealers to get protective leg-

islation on their behalf passed by Congress or state legislatures, of an impending Congressional hearing into dealer-factory relations by the Kilgore antitrust subcommittee investigating General Motors' over-all operations. In general, the situation has arisen as competition has pressed Detroit to get more and more volume out of its dealers.

NADA seized on the Travis case with a will. It sent its general counsel, James C. Moore, from Washington to participate in the meeting. NADA, which has been trying to make a major issue of dealer-factory relations for two years and is now making a statistical study of "unfair" cancellations, is going to send a transcript of the St. Charles hearing to the Kilgore subcommittee.

• **Travis' Case**—It is clear that in Travis, NADA thinks it has found an exceptionally strong case.

Travis insists that GM has no basis for a complaint. He claims that in the period from November, 1954, to July, 1955, he "delivered 25% more automobiles than through the same period a year earlier." He also claims that he received no complaint from GM until September of last year, when the Buick zone manager called him in to tell him that he "failed to develop satisfactorily the sale of Buick automobiles in your area of responsibility." (Travis says that following this he put on two extra salesmen.) He says that at no time did he receive any complaints from Pontiac or GMC. His over-all sales volume in 1954 was \$587,000; for the first nine months of 1955 it was \$488,834, Travis says.

Travis quotes GM as accusing him of failing to meet his quota of Buick car sales by 18 in 1954. He counters with the claim that "we were never allocated sufficient Buicks to gain market leadership and we always had unfilled orders at the zone office."

Travis appealed his cancellation before the top GM tribunal, the General Motors Dealer Mediation Board, in October. It upheld the action. So Travis went to the Missouri Automobile Dealers Assn. In a formal resolution, it called GM "disgraceful and shabby" in its handling. Rep. Clarence

Cannon of Missouri, chairman of the House Appropriations Committee, protested the Travis action to Harlow H. Curtice, president of GM. And from there the affair bounced to NADA.

• **No Comment**—Unless GM talks publicly, of course, there is no chance to learn its side of the case. One sidelight on the affair is an Automotive News report recently to the effect that Travis had lost some Buick business to St. Louis dealers who sell at a price Travis can't meet. Reportedly, the St. Louis dealers sold at prices ranging from \$1 to \$100 above invoice.

• **More Fuel**—Whatever the merits of the case, it will add fuel to a fire that is already burning brightly.

NADA will undoubtedly use it to push its point that dealers need some protection, if only for the sake of their equity in their franchises, against the practices of the auto makers. For some time the organization has been pressing for three pieces of federal legislation: (1) the reinstatement of territorial guarantees in dealer-factory contracts, (2) "anti-bootleg" laws to prevent dealers from selling surpluses to used-car dealers in competition with regular franchised new car dealers, and (3) banning of "phantom freight" charges by auto makers.

• **In the Courts**—Meanwhile, there is also action at the state level, both in legislatures and courts. For example:

A Colorado law passed last January provides among other things that car makers must honor contracts with Colorado dealers even after the contracts expire unless "just provocation" can be proven in court. Now GM has filed a brief in the Federal Court in Denver, claiming that the Colorado law is unconstitutional and asking an injunction restraining state officials from enforcing the law.

The Wisconsin Supreme Court recently upheld a state law prohibiting auto makers from canceling a dealer contract without cause. The case involved an agency whose contract was canceled after the death of the owner.

• **Reaction**—There is in some of this action a potential danger for the car dealer. For instance, at least one suit brought by a disenfranchised dealer calls into question the whole legality, under the antitrust laws, of the exclusive dealer franchise to start with. And there is also the possibility that Congressional hearings into the matter might also veer off in this direction.

At this point, only one thing is sure: Incidents like the Travis affair make the whole subject increasingly a public topic, one that could lead to some definite action, either legal or legislative. **END**

modern design specifies stainless steel

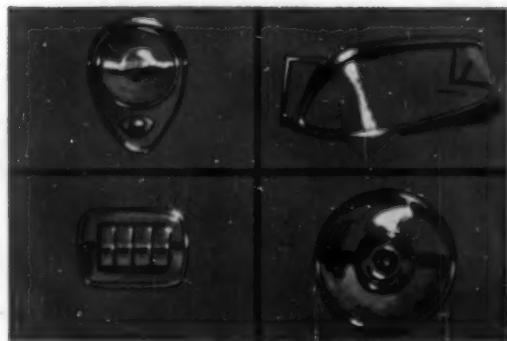


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This Goodform chair has everything it takes to make a working girl happy at her job.

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never splinter and snag nylons or scratch delicate skin. *Popular?* It's the most widely used stenographic and clerical chair in the world.

Economical? Now that's a sensible question. This Goodform secretarial chair will outlast a string of secretaries and, years from now, it will have lost none of its strength, efficiency, comfort or beauty!

Consult your classified phone book for the location of your nearest GF Dealer

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GF ADJUSTABLE STEEL SHELVING

MARKETING BRIEFS

Cosmetic manufacturers this week took on the chin the first blow from Federal Trade Commission's investigation into their sales practices. FTC charged Elnio, Inc., Hudnut Sales Co., Helena Rubenstein, and Yardley of London with violating Robinson-Patman by favoring some customers over others through promotional allowances. FTC hinted it may make similar charges against other cosmetic firms soon.

No change in basic Safeway policies—that was the impression that emerged from two recent speeches by new Safeway president, Dwight M. Cochran. The major novelty of the speeches to New York Merchandising Executives Club and to the Family Circle at the Grocery Manufacturers Assn. meeting was the relatively mild tone with which Cochran expounded theories of Safeway's former fire-eating chief, Ligan Warren (BW—Sep. 10 '55, p. 28). Cochran didn't mention trading stamps, but he held that cents-off deals, coupons redeemable at stores, and other deals serve no good economic purpose—for manufacturer, retailer, or consumer.

Beer and meat balls: Pabst Brewing Co. has a quart can for its beer, with a special "Snap Off" cap that doesn't require a can opener (page 48). American Can Co. helped develop the can. Do-beckmun Co. makes a plastic bag that you dip in hot water to heat the contents. Luchow, New York restaurant, packages and freezes its Swedish meatballs in this package.

1956 Chevrolets—decked up with sales promotion slogans—are cruising the streets of New York and other cities, looking for any passengers that want to try one out. Chevrolet is backing this gimmick, but dealer associations are handling it locally. The stunt has been pulled before, but this time, the campaign, well advertised in local papers, will run in about 100 cities.

Canadian TV has hit motion picture attendance, just as U. S. television did. The Dominion Bureau of Statistics reports movie attendance is off—for the first time in 20 years—by some 8.5%. In Ontario, where TV coverage is greatest, 15 theaters closed last year. Drive-ins, though, are doing fine; their attendance is up 11%.

A soda-cracker price war is on. It started in Macon, Ga., when Strietmann Biscuit Co., with a new plant there, shaved prices in that state. National Biscuit Co. (with a plant at Atlanta) countered with a 10¢ per lb. reduction in five states.



FACTOGRAPHS

Ships and Shipping

NO. 12 OF A SERIES



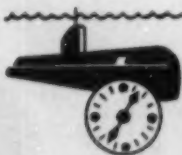
We sometimes overlook the contribution which the marine industry makes to the economy of our country. For example, export trade alone accounts for some 3 million jobs for U. S. workers and brings in revenues which exceed \$15 billion annually. And raw materials and finished goods imported into this country are worth another \$10 billion.



A 15,000 ton passenger liner will use about \$32,000 worth of soap and soap powders per year. A large part of that total is, of course, for laundry purposes. Present day liners are equipped with the most modern automatic washers, extractors, dryers, folding machines and presses, many of which are made by Troy Laundry Machinery Division of A. M. and M.



In time of war the superliner United States could carry 14,000 troops for a distance of 10,000 miles at 30 knots without refueling or stopping for fresh water or provisions.



The U. S. Navy's submarine, Nautilus, is the first vessel to be powered by nuclear fission. Its fuel is a lump of uranium no larger than a golf ball and weighing only two pounds. Yet it delivers power equal to 460,000 gallons of fuel oil or 3,000 tons of coal. Among the many unusual operating devices aboard the Nautilus is a gauge which shows the depth of the keel below the surface of the water when the ship is submerged and is accurate to 3 inches per 1000 feet. This is just one of more than 250 different types of gauges made for marine use by United States Gauge Division of A. M. and M.



In 50 transatlantic round trips the S. S. Independence earned \$29 million . . . paid wages of \$13 million . . . traveled 478,000 miles . . . and served more than 4½ million meals. Some of the finest chefs in the world are found on these liners as well as the most modern equipment for food preparation. And it's likely that on much of this equipment you'll find temperature and pressure gauges and recording instruments made by United States Gauge Division of A. M. and M. For fast, efficient evacuation of heat and odors, galleys are often equipped with fans made by De Bothezat Fans Division of A. M. and M.



American Machine and Metals, Inc. comprises nine divisions, many of which find an important market in the shipping industry. Each manufactures a line of related products; some have been serving industry for more than a century. All divisions benefit materially from the interchange of ideas, experience, know-how and facilities of the entire group. This plan of operation has proved remarkably advantageous, not only to the company but also to the customers of all divisions.



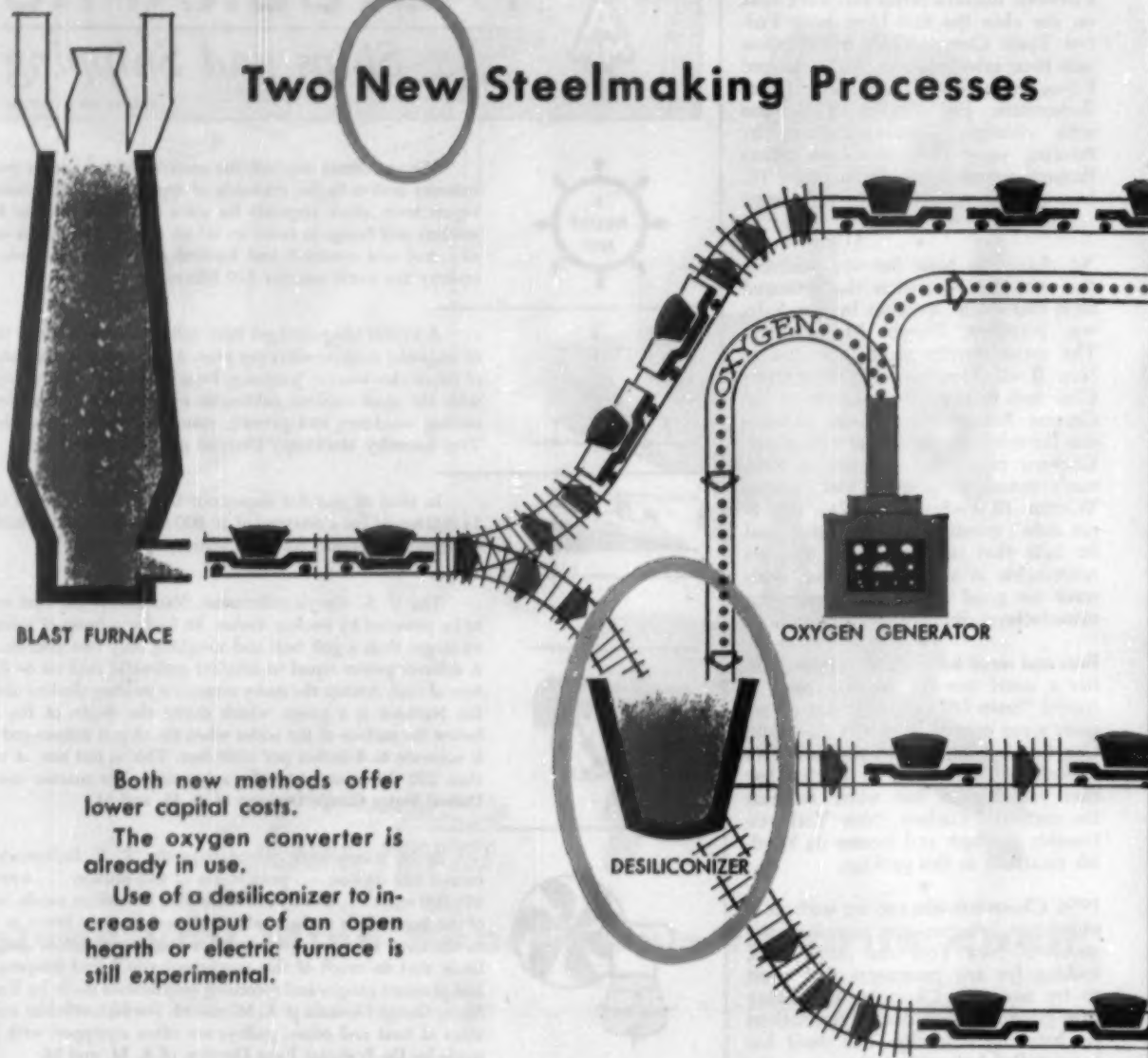
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Two New Steelmaking Processes



Both new methods offer lower capital costs.

The oxygen converter is already in use.

Use of a desiliconizer to increase output of an open hearth or electric furnace is still experimental.

How Steel May Invent a Way Out

The promise of increased yield of steel from the equipment that's circled in the flow chart above may point a technological way out of the dilemma of the steel industry today. Steelmen are in a stew over how to expand capacity without paying ruinously for it.

Whether he lived it or not, every informed U.S. steelmaker vividly recalls 1932. That year, steel operated at 19.5% of capacity—and its operators learned intimately that idle investment can be a crushing burden.

Equally vividly, steelmen remember

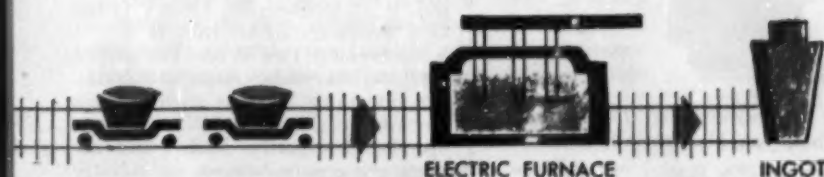
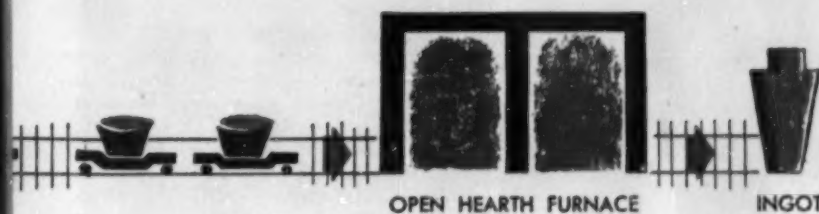
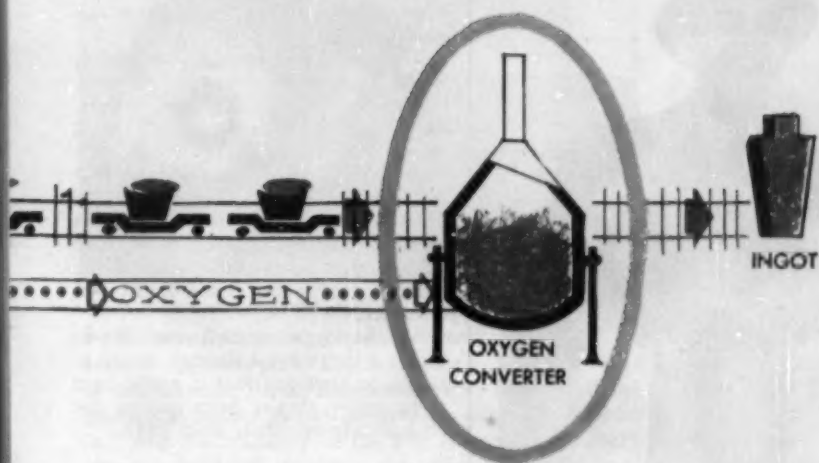
1953. That was the year the trade learned from U.S. Steel's new Fairless Works just how frightfully expensive it is today to build a wholly new steel plant.

• **Industry Split**—The lessons of these two separate years continue to mesmerize steelmakers today. They affect the industry's thinking on three main problems of the day:

Expansion. All steelmen agree it's needed—now and in quantity. But, recalling 1932, some of them ponder 1960's requirements with a determina-

tion never again to have so much idle capacity. So the discussion of expansion for the next 15 years centers around whether we need to add 2-million or 4-million tons each year.

Depreciation. Part of the industry insists that steel earnings—thin as they are—are grossly overstated because current depreciation doesn't begin to cover the cost of replacing existing plant. These steelmen would charge off more even than the tax allows—thus sharply gouge into earnings and accumulate cash against future building.



of Its Capacity Pinch

However, other steelmakers believe they must maximize earnings now by reporting less depreciation on their financial statements than they're actually charging. Yet no producer can afford to overdepreciate lest his earnings look bad by comparison.

Pricing. Steelmen agree widely that prices should be higher. That would yield better earnings, which would in turn raise stock prices and help finance expansion. It would boost retained earnings, thus raise cash for expansion.

But steelmakers don't wholly agree

on how prices should be raised. Some believe that a general price increase is essential to yield the steady, enlarged cash flow that expansion requires. Others talk of selective price increases, which would yield considerably less cash but would make all products uniformly available by making them uniformly profitable.

Actually, what the steel industry needs is both—first, selective price increases, then a general price increase. As the trade sees it, steel users would be better off—now as well as five years

hence—if they were paying both ways. Selective boosts would distribute product better right now; general increases would insure more product in 1960. But while the argument continues, steel gets neither.

I. Postponing the Day

Qualified steelmakers argue both sides of these dilemmas today, but you can't find any persuasive answers—yet. That's because two factors combine—and will continue to combine for about three more years—to put off the day when steel must find the financing for a number of wholly new plants, at costs of \$300 per ton and up. These are the factors:

- Cash flow is heavy. In part, this comes from the very high operating rate. In larger part, it's because steel is charging off much of its very heavy post-Korea expansion investment. The cash flow from this five-year write-off is peaking now, will be heavy into 1958.

- Some relatively cheap expansion is still possible through more "rounding out"—the process of modernizing and enlarging existing plant that has yielded more than 30-million tons since 1947. This type of expansion is harder to achieve now than it has been. And it won't last forever. But it will carry steel through the period of heavy cash flow from accelerated amortization.

II. Technology's Chance

So here you have steel-faced with the necessity, in only a few more years, of building perhaps 50-million tons of new capacity it can't afford to build at \$300 a ton but can't afford not to build. (Steelmen admit that if they don't add capacity the government will. That's the only thing they fear more than the cost of wholly new plants.) Meanwhile, steel's engineers wonder if they may not have some answers.

For example, operating steelmen might figure thus:

"I need 50% more capacity than I have. I can't afford to pay what it will cost to build it. But if I could produce 50% more from what I have, I would have solved my problem."

- **Fundamentals**—Such an approach, of course, is as elementary as it's possible to be. But it can't be laughed off as wholly impractical. For example:

- **Open hearth furnaces** will make about 90% of the nation's steel this year. They probably will average about 11.5-hours to make a heat of steel. But it has been possible to average 8.25-hours per heat of steel. That's 28% faster than this year's average. It means you could make available 28% more furnace-hours without adding any new furnaces.

- **Open-hearths** this year will prob-



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ably average about 18 tons of steel per hour. But the best of the normal-size furnaces will produce 28 tons per hour. That's almost 35% above this year's average.

These two approaches, of course, would demand some new investment, but nowhere near \$300 per ton. Jointly, they would provide enough added steel capacity for years to come—if they could be achieved. They suggest that steel's operating engineers could solve today's ingot shortage and tomorrow's financial shortage if they could raise average open-hearth performance to the level of today's best open-hearth performance.

All the engineers will need to do this is a major break-through on open-hearth technology. But it would have to be major—they've been making the obvious improvements since 1947.

III. Oxygen Converter

For several reasons, open-hearth operators can't foresee a major break-through on technology, so they are looking elsewhere for something that would yield a lot more output from existing plant. Mainly, they're looking at the oxygen converter.

When you ask them about it, steelmen differ widely on the virtues of this latest steelmaking process. Two major North American producers, Dominion Foundries & Steel, Ltd., of Hamilton, Ont., and McLouth Steel Corp. of Detroit, use and admire the process. Jones & Laughlin Steel Corp. will install it at Aliquippa, Pa. Wheeling Steel Corp., which has had considerable success with oxygen enrichment in conventional open-hearths, will install it at Steubenville, Ohio. Other U. S. producers are studying it.

• **Economical Two Ways**—The oxygen converter has some major attractions. For one thing, it costs about half as much to install, per annual ton, as new open-hearth capacity. Such a cost advantage can only entrance an industry that knows it can't profitably operate at \$300-per-ton capacity.

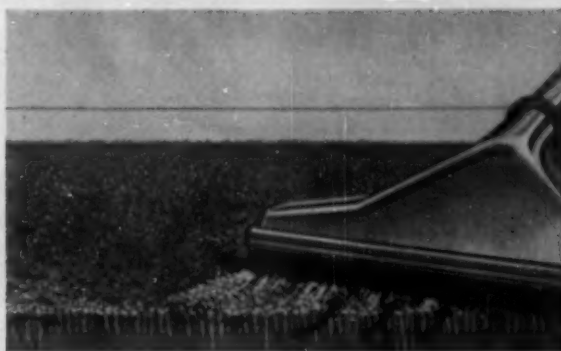
Another advantage is more important than it seems: The oxygen converter takes up less space per annual ton of capacity. That's vital because many existing steel plants are physically so cramped.

As long as you can enlarge existing plant, you can use existing overhead facilities—steam, water and gas mains, power plants, docks, roads, railroads, service and office buildings. When you build a wholly new plant, you must build these things also. The oxygen converter would let you get more annual tons out of that last little bit of space in an old plant than a new conventional furnace would.

• **Drawbacks**—The oxygen converter



Carpet saves you 50% on floor maintenance in heavy traffic areas. Recent tests by an independent firm of maintenance engineers prove that carpet cleans at half the cost of non-carpeted floors. Illustration shows how the carpet pile acts as its own protection—prevents soil from “grinding in.” And the resiliency of the pile accounts for carpet’s amazing durability. It yields with pressure, springs back when pressure is released. Carpet looks soft—wears hard.



Carpet cleans at half the cost because it cleans more easily. Soil is held loosely in the pile so that routine vacuuming can easily remove it. Only one operation, one operator, is needed. Because labor and equipment are less, costs average only \$189 per 1,000 square feet a year. With non-carpeted floors, this cost rises to \$383. An extra \$194 a year per 1,000 square feet of space. Figure how much carpet could save you on your floor space.



On non-carpeted floors, each footstep not only deposits soil directly onto the surface, but grinds it down. In heavy traffic areas, the gloss, needed for appearance and protection, wears off under this constant grinding. Appearance level is reduced and the surface becomes more vulnerable to wear.



The multiple operations necessary to remove what's left of the gloss, to wash off dirt, to dry, finish and buff non-carpeted floors, all boost maintenance costs. It is not only the extra equipment and material necessary, but the additional man-hours required that doubles the cost of maintaining non-carpeted floors.

CARPET—THE MONEY STORY

More and more business firms are installing carpet in general work areas and other heavy traffic sections because carpet cuts maintenance costs 50%, looks better between cleanings and is highly durable. It also cuts down on noise, provides safe footing.

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has its defects, too. One is that it uses a good deal less scrap than an open-hearth and requires a good deal more hot iron from the blast furnaces. That's fine while you have plenty of blast-furnace capacity and while scrap prices are high. It's a lot less attractive when you're tight on iron—or when scrap costs less than hot iron, as was true less than 18 months ago.

Because of this lack of flexibility, plus the fact that the converter uses perhaps \$6 worth of oxygen per ton, steelmakers who vividly remember 1932 wonder if the oxygen converter is wholly desirable capacity to have.

• **Conflicting Claims**—There are other arguments, too. Kaiser Engineers, which asserts the U. S. licensing power for the process, claims that the converter will equal or excel the open-hearth on numerous types of steel. But some steelmen argue that its quality is acceptable only on the softer, low-carbon, easily formed grades.

Some people say, too, that the converter will yield fewer tons of ingot per ton of metallics charged than the open-hearth will. If true, this would be a serious defect. But some engineers say McLouth has been getting a better yield from its converters than is conventional for open-hearths.

So the battle rages. The oxygen converter is still so new that most steelmakers don't yet know whether they want it or not. So they're doing what steel has done in similar situations for years. They're withholding major investment while they watch very closely the operating results—and problems—of the pioneers.

One thing is certain: If the oxygen converter proves it can yield high-quality steel of several grades, consistently over good years and bad, steel will embrace it fervently before it will build wholly new plants. Since wholly new plants won't have to be built for perhaps three more years, the converter is getting an excellent opportunity to prove itself.

IV. Desiliconizing Process

If you enjoy making conventional steelmen blink, ask one of them about the "desiliconizing process." Here's an intriguing venture so new that it hasn't yet been done in a steel mill.

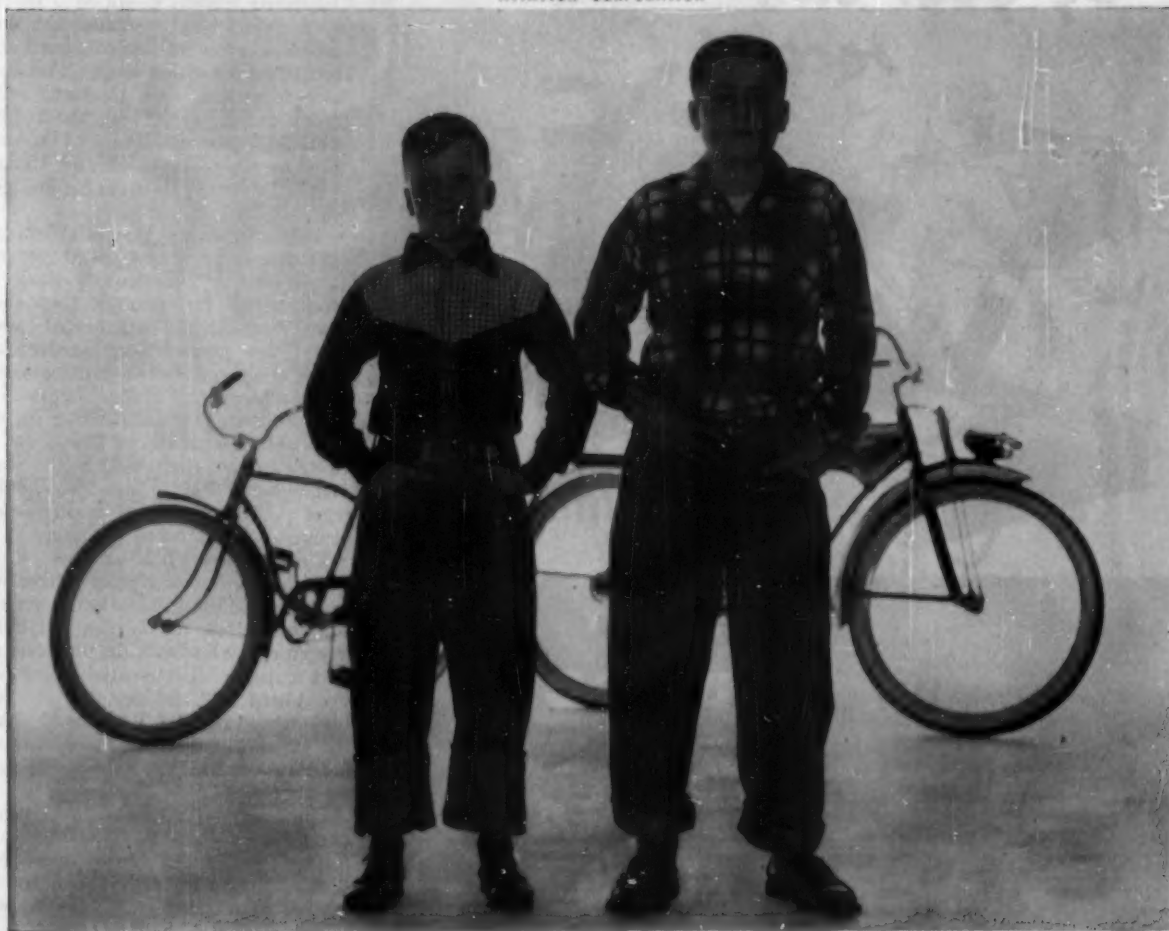
It was described two months ago before the Assn. of Iron & Steel Engineers by Prof. E. C. Wright, head of metallurgical engineering at the University of Alabama. Wright is a former steelman.

• **How It Operates**—Mechanically, Wright's process closely resembles the oxygen converter—up to a point. The oxygen converter involves blowing high-purity oxygen down on a molten iron bath in a small (about 40 tons) batch-

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type converter, burning out excess carbon, silicon, phosphorus, manganese, etc. You make your steel in this converter.

Wright's process involves blowing high-purity oxygen down on a molten iron bath in a batch-type converter until various non-ferrous elements have been reduced to stipulated levels. This reaction superheats the product, called "wash metal," to 2,950F, about 500F above conventional levels. The wash metal is then drawn off and charged into conventional furnaces for finishing into steel.

• **What It Gains**—Wright's data—admittedly experimental—ought to fascinate steelmen, particularly those on productivity. For example they show that substituting superheated wash metal for normal blast-furnace hot metal in an open-hearth furnace would increase production of ingots from 25% to more than 50%, depending on the ratio of wash metal to scrap. In an electric furnace charged with 60% wash metal and 40% scrap, you could double ingot production while lowering power electrode costs by 40% or more.

• **Criticism**—Wright's concept is so new that orthodox steelmen have difficulty attacking it. One astute veteran complains that it's only a bob-tailed oxygen converter—with the disadvantage that it also needs conventional finishing investment. Others say that its very high temperatures will seriously attack the refractory linings of conventional finishing vessels, thus raise lining costs excessively.

One answer to the first of these criticisms is that the "desiliconizing process"—unlike the oxygen converter—is as flexible as the open-hearth on the ratio of scrap to hot metal. One answer to the second is that "desiliconizing" should be no harder on refractory linings than the oxygen converter—that if the one process can be lived with, the other can also. And refractory costs alone—while something of a problem—certainly haven't killed the oxygen converter.

• **Cost Savings**—Wright's process has other interesting attributes, too:

• Its capital cost is ridiculously low—\$3.30 per annual ton as opposed to, say, \$330 per annual ton of new steel capacity. Of course, you must first have the conventional finishing furnaces.

• Wright says "wash metal" can successfully be charged hot into electric furnaces and finished at a 45% savings in kilowatt-hours. Power is the electric furnace's major operating cost. In practice today, electric furnaces start with a cold charge, thus need time and power to achieve a molten bath for precise finishing into steel. Saving of this time and power could boost the use of electric furnaces—for they cost, new, about 60% of new open-hearth capacity. **END**



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It offers five important benefits:

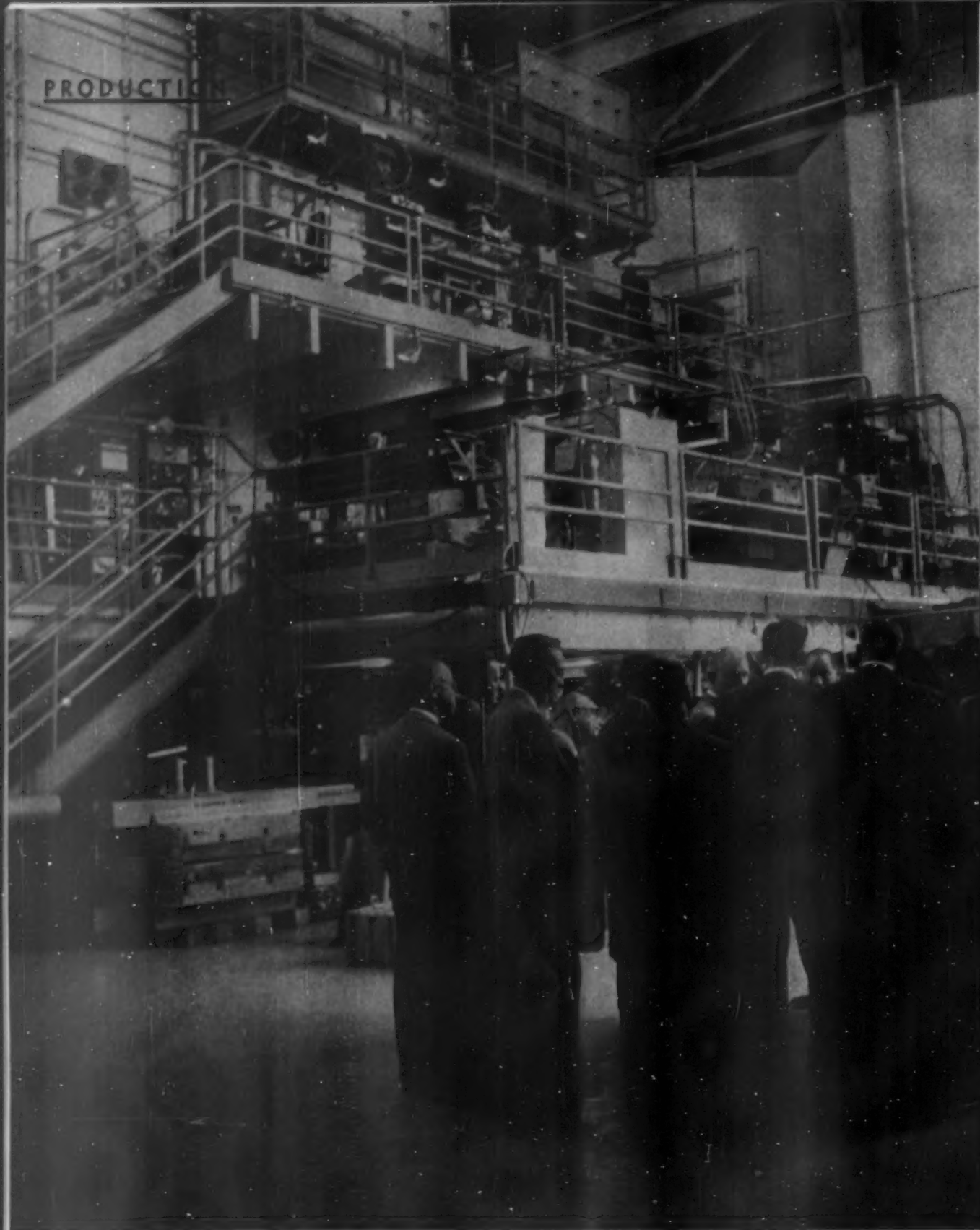
- 1.** Truck drivers handle no company money since Gulf offers a variety of credit plans.
- 2.** After your selection of truck stops, Gulf works out all details most suitable to your method of operations.
- 3.** No two "plans" are exactly alike—each is "tailor made" to suit your particular operating habits.
- 4.** Through the Plan you can set up a better inspection and/or preventive maintenance check on equipment.
- 5.** Your company, not the driver, becomes the customer of the truck-stop dealer.

For complete information, contact your nearest Gulf District Office—consult your local telephone directory.

Gulf sets up the plan for you—you put it into operation—and there is not one cent of extra cost involved. Here is an over-the-road transportation engineering service you cannot afford to be without!



Gulf Motor Carrier Service Plan



STUDENTS of NICB atom course take a respectful look at the Brookhaven (Long Island) atomic reactor.

VISIT to hot labs at Brookhaven was a high point of the company executives' week-long course in atomic energy.



Showing Company Brass

How to Put the Atom to Work

Said one vice president of a Midwestern manufacturing company early last week: "For a while there, it got a little confusing." Like 68 other company executives (pictures), he was exposing himself to a one-week educational dose of atomic energy. For most, there were confusing moments indeed, particularly at the start of the week when talk clustered around the atom itself and why it behaves the way it does.

The confusion, which worked itself out as the week progressed, was administered by the National Industrial Conference Board. The executives were students at the Board's fourth Atomic Energy Course for Management, held all week at the Westchester Country Club, in Rye, N. Y.

NICB is the first business organization to set up atomic energy courses for management people on a regular basis.

Its first course was conducted early this year. Next year, it will hold four more.

• **Cramming It In**—This course was no snap. It began early Monday morning, when Dr. Marvin Fox, chairman of the Reactor Dept. at Brookhaven National Laboratory, talked about the fundamentals of atomic energy. It ended on Saturday, when James A. Lane, director of the Reactor Experimental Engineering Div. at Oak Ridge National Labora-



LECTURES kept the executives' ears ringing from early Monday morning to the windup of the course on Saturday.

MODELS of atomic reactors (left) were part of the show at the Westchester Country Club.

tory, discussed the economics of commercial nuclear power. In between, course participants listened through 38 hours of lectures and films. When they had a spare half-hour, they broke up into small groups and popped questions at any one of 30 faculty members.

On Tuesday, they visited Brookhaven Lab, on Long Island, for a look at a nuclear reactor. On Tuesday evening, after a day that had included lectures, a trek through Brookhaven, and six hours of bus riding, they managed to squeeze in a movie, *Fundamentals of Radioactivity*, before bedtime. Even then, a few wanted to talk about atoms some more, at the Country Club bar.

• **From Scratch**—Only a few of the students brought with them more than a fuzzy understanding of the atom. Seven were bank officials; some others were company finance officers. NICB says that most of the 300 men who have attended these courses over the past year have had non-technical educations. And the course is basically set up for that kind of man.

But many men at last week's course knew engineering, though not the new engineering of the atomic age. Said one, "When I was in engineering school, they were just beginning to talk about the electron." About a dozen men were chief engineers for their companies; nine were directors of research; seven were company presidents with engineering backgrounds.

• **Getting the Feel**—All that any student really expected to get from the week was a feel for the effects of atomic energy in his industry. Very few came from companies that were already active in the atomic energy field. Not many thought that this would change within the next year or two.

One company president who attended the course said that his company had not done anything with atomic energy so far. Yet his company is spending \$25,000 a month on nuclear engineering education. There are 20 nuclear scientists on his payroll. Most of these men are in school, working on advanced degrees. The company is paying tuition, plus more than \$400 per month per man in salaries. "In two years," says the president, "we should be ready."

Of course, this company already has a good idea how atomic energy will affect its business in another two years. But most of the men at NICB's atom school said frankly that they did not know what effect—if any—atomic energy would have on them. That was the reason many gave for attending the course.

• **At Great Expense**—The course is not cheap; tuition per man is \$465. In addition, his company has to pay for his week's living expenses, his travel, and, of course, his salary. Figure the

cost per man, conservatively, at about \$1,000 for the week, excluding his salary.

For some, the cost was higher. One man traveled from Pascagoula, Miss. Several came from California. One came from Spain and two from Japan.

• **Fundamentals**—What did they learn? From Dr. Fox, they learned that binding energy—the energy that holds together the protons and neutrons in an atom's nucleus—is the source of power in a chain reaction. Fox himself learned that it is not easy to try to translate the language of the nuclear scientist into everyday English, particularly to an audience that likes to say, "Now wait a minute—what do you mean by that?"

From Dr. R. P. Peterson, director of nuclear research at Republic Steel Corp., Cleveland, the company executives regained assurance. Said Peterson: "Don't worry if you don't quite know what happens. You can hire people who will know."

"I am sure that the presidents of companies don't really care about some of these things," Peterson said jokingly. "But you will want to pick up a few of the terms—such as binding energy, and fission fragments, and long-term burnup—so that you will appear to be informed."

• **Reactors and Fuels**—Peterson talked about reactor design. He said that the essential characteristics of any reactor are established as soon as it is decided what the reactor will be used for.

"The real problem today," he said, "is to design reactors that can be built cheaply. This is not a problem of science, but one of engineering."

In addition to Fox and Peterson, NICB brought in Dr. Francis T. Miles, senior chemist in Brookhaven's Nuclear Engineering Dept., to talk about reactor components and metallurgical problems; Dr. George G. Marvin, assistant director of the AEC Div. of Raw Materials, to talk about prospecting and processing; Stanley B. Roboff, manager of Industrial Coordination in the Atomic Energy Div. of Sylvania Electric Products, Inc., to talk about nuclear fuels.

This was only Monday's dose. There were 25 more experts to follow.

On Tuesday, the course veered off into the problems of safety. The students listened to J. L. Gray, a vice president of Atomic Energy of Canada Ltd.—on safety and reactor operations—and to Dr. Charles Russell, chief of the design evaluation staff of the Aircraft Reactors Branch of the AEC—on reactor hazards.

• **At Brookhaven**—By noon Tuesday, the men were ready for a change. They went to Brookhaven and saw the laboratory's giant cosmotron, in which protons are whirled in 150-ft. circles at

speeds of thousands of miles per second, then thrown against targets.

Brookhaven scientists explained that the cosmotron is providing many answers to questions concerning the complex nature of particles. When he heard that the cosmotron had cost \$10-million, one railroad man mumbled, "It'd buy a lot of locomotives."

In the Biology Laboratory, a young scientist told the men that he was attempting to determine the effects of radiation upon the fruit fly. "We have chosen the female fruit fly for these tests," he said, "because of certain similarities which she shares with the human female." One man commented, "I don't know how my wife's going to take that."

• **Radiation Studies**—In the control area of Brookhaven's nuclear reactor, the men learned that 60 tons of uranium made up the pile. Here, within thick walls of special concrete, some 300 items are made radioactive every month. About half of these are used for studies by Brookhaven scientists; the others are shipped to hospitals and research institutions.

• **Waste Problem**—Bernard Manowitz, a Brookhaven scientist from the Lab's Fission Products Utilization Project, talked on Wednesday about the problems involved in getting rid of radioactive waste materials.

Dr. Fox said, though not seriously, that he had been proposing for some time that certain of those wastes be mixed with concrete and used as paving on our highways. "Nobody will listen," he said, "though it would do away with the costly business of snow removal." Manowitz cracked that it would also eliminate the "tramp problem."

• **Isotopes**—Probably the most significant series of lectures, in terms of immediate usefulness, was on radioisotopes. Dr. Paul C. Aebersold, director of the Isotopes Div. of AEC said that some 5,000 groups in the U.S. are now using radioisotopes for such things as disease diagnosis and treatment, and, in industry, to measure the thickness of certain materials. He said that thickness gauges would probably be their biggest field.

S. Edward Eaton, Jr., head of the Radiochemistry Group at Arthur D. Little, Inc., Cambridge, Mass., said that the Norwegians had used radioisotopes successfully to detect erosion in hydroelectric turbine blades. John L. Kuranz of the Nuclear Instrument and Chemical Co. demonstrated how radioisotopes can be used in certain production activities.

• **New Uses**—Toward the end of the week, the students heard about a flock of other things concerning atomic energy—from radiation and food preservation to the atomic locomotive,



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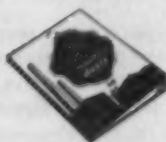


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• **The Value**—Most of the men seemed to come out of their week with the atom, feeling a little more certain about the future than they were when the week began.

But each man learned, if indeed he did not already know, that a nuclear man—however green—is hard to find. Some men said, in private conversations, that they had been told that young physicists, with doctorates and a couple of years experience at Brookhaven or Oak Ridge, were holding out for \$14,000 salaries.

In some companies, according to non-nuclear engineers, the physicists are put on a separate payroll "so their salaries won't leak out to the engineers."

• **Too Much Ambition**—The president of one company told about the young physicist who had talked with him just a few months ago. The young man, who received his bachelor's degree last June, said, quite seriously, "How long do you suppose it will be before I can make \$50-thousand a year?" The president of the company explained that it would depend very much upon the company's future in nuclear energy.

He said that the young man then asked him how long he thought it would take him to become the company president. The president said: "Well, it took me 30 years. But, of course, you're much smarter than I am, so I'd guess that it wouldn't take you much more than 20."

Most executives at the NICB course said not many physicists are so interested in money. "Unless you're doing research that stimulates them, many don't even want to talk. But if you can stimulate them, then money doesn't seem to matter—within limits."

A couple of men found that out just last week. One said that he had tried to sound out Dr. Fox: "I didn't get very far. He told me that somebody had offered to triple his AEC salary two days ago, but he told him that he was not interested. He is all wrapped up in that Brookhaven reactor."

• **New Courses**—NICB has scheduled four more atomic energy courses for 1956. R. Maxil Ballinger, who is running the courses for the Board, says that all four will be open to people from any country of the world. The first will be held in late February, with much the same faculty. **END**

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. . . Haul the New Haven's new Talgo train on the New York-Boston run in less than three hours.

The New York, New Haven & Hartford RR is making its bid for front position in the race for lighter, faster passenger trains with a new type locomotive. The locomotive will also lick a problem that has faced railroads coming into New York's Grand Central Terminal ever since 1903.

A 1903 New York City ordinance required the roads to convert all trains to electric power when coming into Manhattan Island. For New Haven trains on the Boston to New York run, this has meant in practice a double switch. At New Haven it changes from diesel engine to overhead electric power. And the locomotives it uses must be designed to switch again from overhead to third rail power of a different voltage at Woodlawn, N. Y., 12 miles from Grand Central, where the New Haven tracks join the New York Central's electrified circuits.

The new locomotive will be able to sweep right through from Boston without a stop. It will power the New Haven's new Talgo train—one of three lightweight trains the road has ordered. With the fast, powerful locomotive, the lightweight train will be able to make the Boston-New York run in less than three hours instead of four.

• **Twin**—The New Haven plans to put the new locomotive into service next spring. Actually, it isn't one single locomotive, but two—twin motive-power units located at each end of the train, each operating either as straight electric or diesel-electric engines. Fairbanks, Morse & Co., Chicago, will build the two units, which it describes as the most powerful of the lightweight locomotives being built for use on lightweight U.S. trains.

The new units will use diesel power to generate current that goes to the traction motors all the way to Woodlawn. There they will switch to straight electric power, required by the New York ordinance, which will run the same traction motors.

People along the New Haven's right of way will take a second look when they see the locomotives in operation—with one ahead pulling the cars, the other behind pushing. The twin units, however, will require only a single crew, which can operate both through a set

of controls in either one. The double feature will not only give more power, but will enable the Talgo train to shuttle back and forth without turnaround at the terminals.

Components for the locomotives—largely of the type in service already—are being assembled at the Fairbanks-Morse Beloit (Wis.) plant. The finished units are scheduled to reach the rails about May or June. If they satisfy the New Haven's needs, the road may order eight more units on which it has an option.

• **Trains**—ACF Industries, Inc. is building the New Haven's Talgo train at Berwick, Pa.

The New Haven expects this to be the first it receives of three experimental lightweight trains it has ordered. In addition to the Talgo, it has ordered Budd Co.'s tubular train, and the Pullman-Standard Car Mfg. Co.'s Train X (BW—Feb. 19'55, p27). According to a New Haven spokesman the plan is to put each in service, and on the basis of performance and public reaction, buy about 30 trains in all. The New Haven's chief competitors in the lightweight train race are the New York Central, Boston & Maine, Rock Island, and Pennsylvania.

• **How It Works**—In diesel-electric operation, power for the traction motors is provided by the main d.c. generator. Since the train lighting, heating, and air conditioning, as well as food service operate on a.c., an alternator furnishes a.c. current for this. The diesel engine operates at constant speed to maintain constant frequency in the a.c. system.

In third-rail operation, pick-up shoes on either side of the locomotive take power for the traction motors. The diesel engine is shut off during such operation, and a d.c. electric drive motor powers the alternator to continue the train servicing function.

Under full auxiliary load, 1,200 hp. are available for traction from each locomotive. However, both units operate regardless of direction of travel, so the units are actually delivering 2,400 hp. and are capable of speeds up to 120 mph.

• **Low-Slung**—The units will look like conventional diesel locomotives, but will

be 3 ft. lower. They will be 12 ft. high, but have a slight step-down in the roof at the rear to 10 ft. 10 in., to meet the roof-line of ACF's Talgo train.

The cost of the Fairbanks-Morse locomotive, reported to be around \$250,000, is comparable to that of diesel or electric locomotives.

Rated at 1,720 total shaft horsepower, each locomotive will be 56 ft., 8 in. long and 10 ft. wide.

Regular diesel units weigh from 125 to 160 tons—the new units, 100 tons.

• **Dustproof**—Apart from the alternate power feature, Fairbanks-Morse has devised a pressure system to keep out road dust. A moving train leaves a "continuous sandstorm" in its wake, and encounters dirt at its head end. The conventional way to keep dust out is with filters near the roof through which air is sucked in, putting the engine room under a slight vacuum. The new system takes air from the roof, puts it through a blower, with the result that the engine room, but not the cab, will be under slight pressure. At any point that is not airtight, clean air will leak out instead of the roadbed leaking in. This will make for better maintenance and operation.

• **Well Coupled**—There will be an unusual complete automatic coupling system between the locomotives and the train. When the locomotive is coupled to the train, all train line requirements will be coupled instantaneously, no additional connections being required. The coupler is 20 in. high, compared to 34½ in. standard, and is also arranged to direct the adjacent train steering system. Each locomotive will have a conventional coupler on its front end, for yard-switching purposes.

The locomotive's brakes will use a shoe with a composition material that is said to produce more braking effort than the conventional cast iron brake shoe. The lightweight braking material will save material and help reduce total locomotive weight.

The train with the two units will come to 658 ft. in length. ACF's train will be 545 ft. long, made up of five articulated cars with a total seating capacity of 480 seats.

• **Speed**—The New Haven claims that the lightweight train will average over 80 mph. on its curving track, between New Rochelle and the Route 128 stop just outside of Boston. The distance will be covered in less than 2½ hours.

By stepping up the speed, the New Haven hopes to lure automobile passengers into the new trains, and to approach air travel time—including time for transportation to and from the airport. **END**

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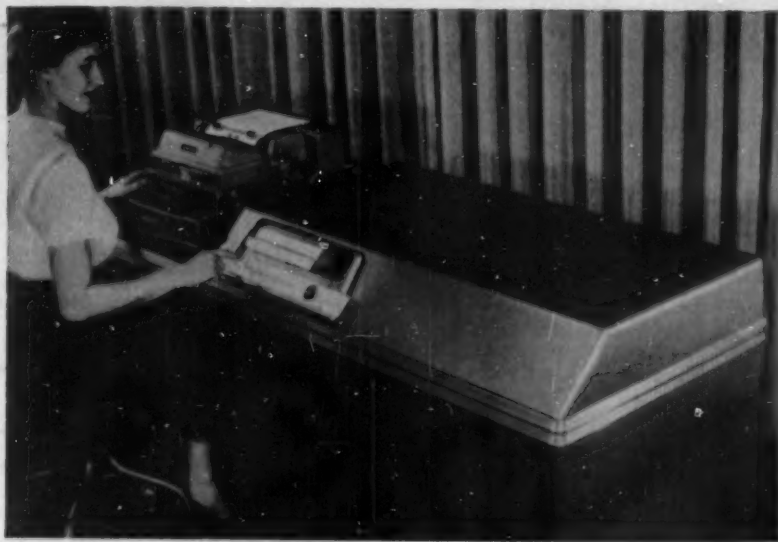
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parable to that of larger machines.

The Librascope (bottom), called the LGP-30, is a general purpose computer produced by Librascope, Inc. Its price tag of \$29,800 includes the Flexowriter machine that feeds data into the computer and extracts the information in readable form. Although LGP-30 is not unique in over-all principle and design, its manufacturer says it can perform the same operations as a machine costing much more.

It will handle problems that can be organized in mathematical expressions. Another feature is that Librascope's computer can be operated by anyone with a general technical background.

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• Source: Standard Steel Corp., Los Angeles.

NEW PRODUCTS BRIEFS

A battery-operated power supply unit that produces 1,800 volts from 1½ volt input, which is the voltage of standard flashlight, has been developed by Universal Atomics Corp., N. Y. It weighs 6 oz. The unit uses transistors and is said to be able to operate efficiently for several hundred hours.

• A machine for coating cellophane rolls on one side with adhesive is being produced by Williamson Adhesives, Inc., Stokie, Ill. It is designed to produce a continuous supply of pressure-sensitive cellophane tape at the point of use. Cost: \$95.

• A knob switch that uses heavy silver contacts instead of mercury and can be mounted in any position, might replace conventional pushbutton and toggle switches. The noiseless switches are manufactured by Pass & Seymour, Inc., Syracuse, N. Y. The plastic knob glows in the dark.



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● General Aniline & Film, a government ward for 13 years, has grown—but its growth has been stunted.

● Seized as a wartime German asset, its actual ownership and its future status are still in dispute.

● But now the company's private management is building for growth with new products, plant expansion.

Next week, a Senate judiciary subcommittee will start taking testimony from a parade of Cabinet officials—including Secy. of State Dulles, Atty. Gen. Brownell, and Secy. of the Treasury Humphrey—on disposition of some \$500-million in enemy assets seized during World War II. Although the name may not even be mentioned in the early hearings, what the subcommittee will really be talking about is who gets General Aniline & Film Corp.

General Aniline—it ranks about halfway in the list of this country's 500 top industrial companies—is an important maker of dyestuffs and chemicals, photographic supplies (Ansco films, papers, and equipment), and duplicating equipment (Ozalid). But its position today, and for the past decade, is a peculiarly murky one.

• **Mixed Breed**—It operates as a private enterprise in commercial competition, bucking such giants as Eastman Kodak and du Pont—yet 97% of its stock is held by the U. S. government.

It was seized in 1942 as a German-owned asset—yet a Swiss company, Interhandel Corp., has been suing in U. S. courts for over eight years for its return, claiming General Aniline was neutral-owned and should never have been seized. The hitch is that there's some confusion over who really controls the Swiss company.

The court stalemate is likely to continue for a while. So the legislative proposals before the subcommittee—whether to turn back to foreign claimants seized assets that are in dispute, or to sell them forthwith to U. S. interests—may be the deciding factor.

• **Rich Plum**—The plum that's being fought over is a rich one. General Aniline's net worth has risen from \$45-million in 1942, when it was seized—"vested," in legal parlance—to \$102-million last year. Sales last year were \$105-million. This year they'll be about \$120-million. And it's potentially much richer—GAF is now, almost for the first time, in a position to move ahead with a host of promising new

products. Many observers in the industry feel that once freed of its political uncertainty, the company should move up fast.

I. Who Owns the Owner?

On clear-cut German- or Japanese-owned properties, there has been little question regarding disposal. The U. S. government has already realized over \$100-million from such properties (including \$30-million for the Schering Corp., maker of pharmaceuticals). It would like to get GAF, and some assorted other properties, off its hands. But its hands are tied by one provision, Sec. 9 (a) of the Trading with the Enemy Act.

The section provides that vested property must be held intact if "a person claiming to be other than an enemy or an ally of an enemy" has instituted suit for its return.

• **Parentage**—Interhandel (Internationale Industrie & Handelsbeteiligungen AG, and formerly known as I. G. Chemie) is a holding company formed in the 1920s to exploit in the U. S. the patents and processes of the big German chemical combine I. G. Farben. To use the German patents here, Interhandel set up General Aniline. The Farben patents have always been Interhandel's main asset—even today, its claim to GAF represents over 85% of its total assets.

There's no question that Interhandel owned over 90% of GAF—but the question has been, who controls the Swiss firm. Probably 75% of the outstanding shares of Interhandel are owned by Swiss citizens, but almost none of the Swiss holdings is voting stock. Actual operations are controlled by a small and very special class of voting stock.

These shares are anonymous, and under Swiss laws of banking secrecy, it has been impossible to find out whether the actual control is German or Swiss. Interhandel has been unwilling, or unable, to deliver documentary proof of

ownership requested by U. S. courts—partly because the Swiss government has seized some of the vital records on the ground that disclosure would violate its bank secrecy laws.

• **Relations**—Until the war, GAF handled only Farben products, materials, and methods. One story has it that no one in the American company even knew how to make the emulsion for the company's color film. One German representative had the sole formula, would retire to a padlocked room to mix the secret ingredients.

At that time GAF was generally accepted as being the U. S. branch of I. G. Farben. It was on that basis that the company was seized. Even in Switzerland today, where the general opinion is that the company should be "returned" intact, substantial interests still believe Interhandel is German-controlled. Postwar investigations by both U. S. military and Swiss bank authorities failed to clear the picture.

• **Proposals**—With the court battle dragging on, there have been several attempts to get return of General Aniline through legislation. Washington insiders estimate that Interhandel has been spending over \$250,000 a year advocating legislation such as the Dirksen bill—now up for consideration again—which would return all seized assets without qualification.

On the other hand, both the current U. S. Administration and the previous one have asked legislation to permit the sale of vested property, including General Aniline, with the proceeds to be held against ultimate settlement of the disputed claims either by the courts or by legislation.

II. Dead Hand

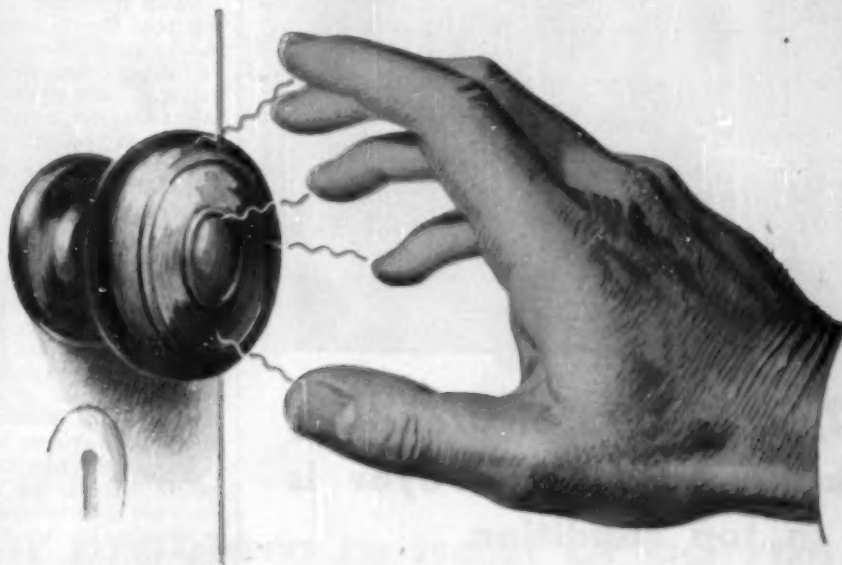
In spite of the battle raging over it, General Aniline has been prospering—after a fashion. But in an industry that has skyrocketed since the end of the war, GAF's growth has been hardly spectacular.

Although GAF's sales increased 24 times postwar, rival Eastman Kodak's soared five times over, starting from a bigger base. And GAF's earnings have been declining steadily—not only in relation to sales, but absolutely. In 1942, it earned \$8.8-million before taxes—in 1954, only \$5-million, on more than doubled sales.

"So we haven't done so well as Monsanto," roars bull-throated John Hilldring, GAF's current president. "So what! If we had, it would have

How a "shocking" condition is eliminated

*New Atlas antistatic agents squelch static electricity
... open up new markets for "charge-proof" products*

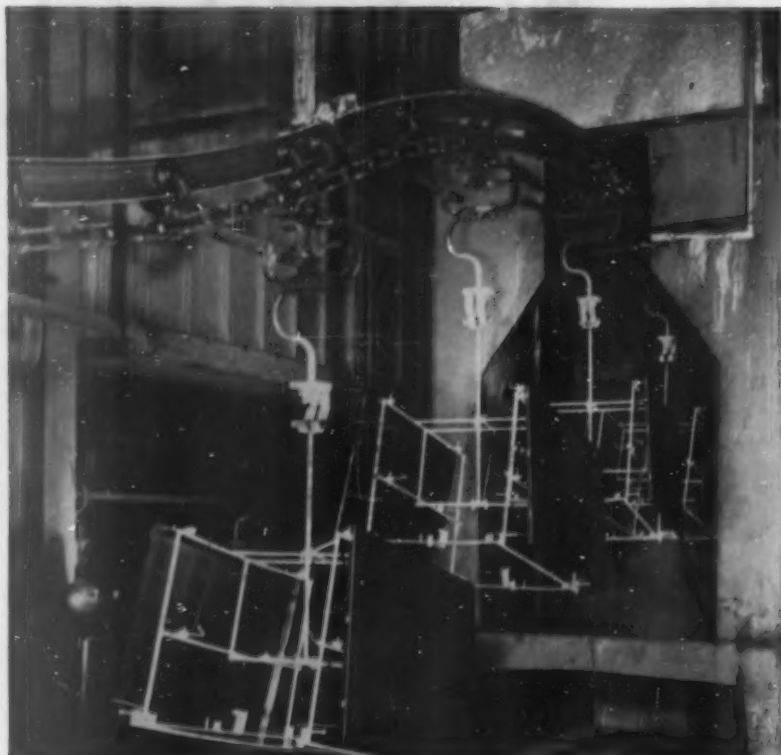


Ever touch a doorknob and get a sudden jolt? That's static electricity. It's a nuisance . . . and a problem.

Compounders of chemical specialties are now making antistatic sprays, wiping cloths, polishes, and other products that help eliminate the age-old nuisance of static "shocks." Textile fibers, auto seat covers, upholstery, plastics, carpets, dry-cleaning soaps, home laundering additives, antistatic polishes—these and many more materials can now be made "charge-proof."

The basic ingredient of these antistatic products is a surface active agent, related to emulsifiers and detergents, in which Atlas has pioneered for over fifteen years. Here is another example of how Atlas research and products have helped others make new or improved products and develop new markets. Perhaps we can do the same for you. Atlas Powder Company, Wilmington 99, Delaware.

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been a poor reflection on Monsanto." Many outsiders in the industry agree that considering the hobbles the company has had to work under, it has done surprisingly well.

Company officials insist that the one thing wrong with it has been the uncertain ownership situation, which has caused problems all along the line.

• **Standing Still**—For most of its first 12 years under government vesting, GAF management operated under what some of its officials call "The dead hand of 'conserving the asset.'" Research continued and new products were introduced, but by and large, growth trailed the expanding U.S. economy.

Most troublesome—General Aniline has been literally closed out from obtaining equity financing, a big source of funds for most recent growth. As a result, it lost a lot of opportunities. Its Ansco Div., for instance, developed the first really practical negative-positive color film system for motion pictures—but GAF couldn't get the funds to set up a sizable motion-picture print operation.

Similarly, GAF still has to buy many of its supplies—such as sulfuric acid—from its own competitors, at a definite market disadvantage. And at least two planned acquisitions, both important to GAF, fell through because the other companies shied away from having either the U.S. government or a foreign company as ultimate owner or partner.

Despite the sales chart, many GAF people concede, this meant the company was really standing still.

• **Morale**—One result among GAF's 8,000-odd employees has been an admitted abnormal turnover of personnel. That has been particularly damaging in top management and research. In 10 years, the company lost some 70 top executives, ranging up to vice-presidents—largely to other chemical companies—and had five research directors. The president's chair, which Hilldring calls "the riskiest seat in the whole chemical business," has had five occupants in 13 years.

Hilldring concedes, as did Jack Frye, his predecessor, that GAF has not been able to attract, or in many cases, to hold top-flight personnel. It can't compete with most management incentives being offered today. Among other things, vesting eliminates any sort of stock option plan.

Nor has the uncertainty helped outside the company. One official notes: "When a salesman walks into a customer and gets greeted with 'Well, who owns you today?' it disturbs him, impairs his usefulness to the company."

III. Coming Alive

About two years ago the internal attitude, at least, started to change;



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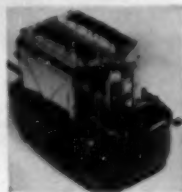
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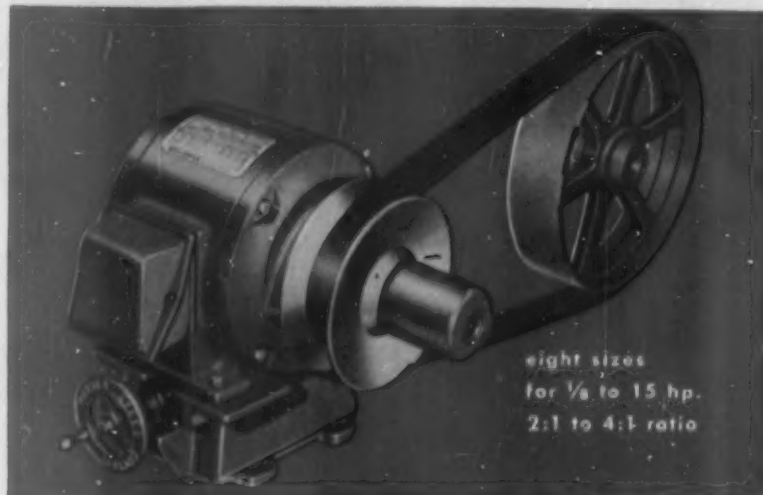


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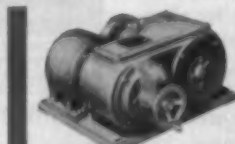
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and when Hilddring took over as president in April of this year, after eight years with GAF, he called in his top echelon, told them to "start acting like important vice-presidents of an important chemical company, and never mind who owns the company."

More important, within the last year the company has started its first major physical expansion. In the 10 years ending last December, the company had earned \$53-million, paid out about \$9-million dividends to some 2,000 minority stockholders in the U.S. and to the government, and used much of the rest to build up a fund for capital expansion, unobtainable elsewhere.

"We finally realized," Hilddring says, "that the philosophy of 'conserving the asset' was almost impossible to implement. In a cycle like this, you grow or die. So we started acting like a chemical company instead of like a government ward."

This year the company is spending \$18-million for capital expansion; that will include a new acetylene derivatives plant in Kentucky, the first in the U.S. to use high-pressure acetylene techniques in commercial quantities; a new chlorine-caustic plant in New Jersey; and in New York State, additions to plants at Rensselaer for making a new sheet plastic, to Binghamton for stepping up output of color film, and at the Ozaalid works in Johnson City for bigger facilities there.

• **Spur**—The effect of this on morale, Hilddring says, was almost instantaneous.

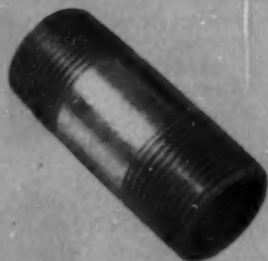
One tangible result—the first upturn in profit ratios in several years. In 1954, profits were only 2.2% of sales. In 1955, they're running 3.2%, and indications are that next year they'll do even better.

If ownership is sold to American interests, both GAF officials and outsiders think the company will move ahead fast, even though it's bucking some of the toughest competition in the world. For one thing, it will have some hot new products: PVP, an acetylene product originally used as a blood-plasma extender, which is finding wide application for other uses, particularly cosmetics; Gafite, a new sheet plastic with both military and civilian uses; improved films; and the jump on the rest of the industry with the high-pressure acetylene derivatives.

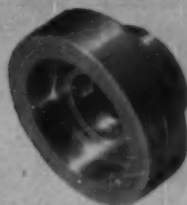
Another potential asset is less tangible. "This company has a persecution complex," says Hilddring. "And that's good. These people have been getting kicked around for years. Turn them loose and they're gonna trample the industry to death."

• **Politics**—Meanwhile, General Aniline still smarts under the implication that politics is involved in running the company. How much political influence has affected previous appointees is a

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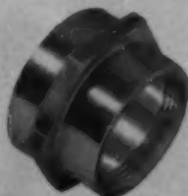
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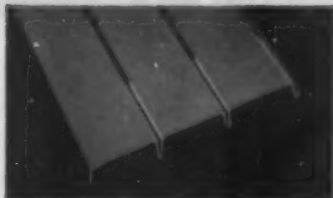
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moot question. The board of directors, which elects the president, is appointed by the Attorney General and the Alien Property Custodian. Some directors and officials in the past have been known as friends of Washington powers. But Hilldring insists that to his knowledge, no one has ever been hired through political influence, nor has Washington ever interfered in operations. A Senate investigation in 1953 cleared the company of being an outlet for patronage.

• **Boss**—Hilldring himself—a career Army officer, who as a major general headed up worldwide military government operations, then went to the State Dept. as Undersecretary of State for occupied territories (and in both capacities was the man nominally in charge of the breakup of the I. G. Farben empire)—says he came to GAF "off the street." When he left the State Dept. in 1947, Hilldring set up as a consultant on German business, approached GAF as an outside consultant, was later offered the job of general manager of its newly started foreign set-up. He moved up as vice-president in charge of foreign operations, executive vice-president, and now president.

• **Problems**—GAF management takes no official position in the court fight, but makes no bones about its preference for sale of the company to U.S. interests. It argues that a good many of its projects are involved in national defense, and domestic control is necessary. It insists that the tremendous product development of the past decade would mean a patent windfall to a European company, that what GAF has today bears little relation to the original patents or processes inherited from I. G. Farben.

It's still a question, however, whether the U.S. could return the company—either directly or with the cash proceeds of a domestic sale. Under the Paris reparations agreement in 1946, the Allies agreed not to return seized property.

The War Claims Act of 1948 provided that claims of U.S. citizens against the Germans and Japanese were to be paid from disposal of the seized assets. Return would mean that U.S. taxpayers would have to foot that extra bill. And under the Bonn convention of 1952, the German government relinquished claims for the seized properties, agreed to compensate its own nationals directly (though the Germans still press for return).

The Administration has offered a final compromise. The U.S. would, as a matter of grace, compensate claims by natural persons (but not corporations) up to a \$10,000 maximum, would return copyrights and trademarks, but not patents. A bill to that effect is also being considered in the forthcoming hearings. **END**



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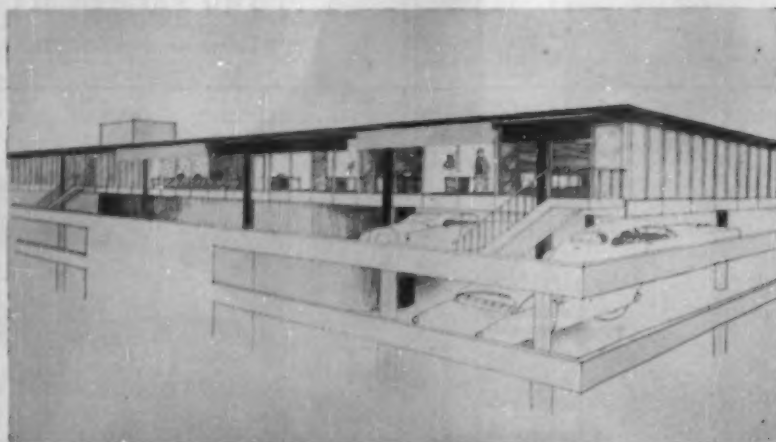
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REAL ESTATE



GLASSY TOP for downtown Pittsburgh garage is office penthouse that permits . . .

One Step from Car to Desk

Recently, a bottle of champagne burst against a bare steel column, and a unique building project was launched in Pittsburgh. How else would you "break ground" for a penthouse of offices, atop of six-story parking garage?

For probably the first time anywhere, and certainly in Pittsburgh, the air rights above a garage have been leased for office building.

It came about when Harry Shephard, owner of the six-floor Stanwix Autopark at Gateway Center, in downtown Pittsburgh, found he couldn't add any more floors of parking space to his garage. Yet he wanted to expand and generate more revenue to maintain profits in the face of steadily rising costs.

A year ago, he added the sixth floor to his garage when the city reduced load requirements in the building code for garages from 100 to 75 lb. per sq. ft., and that sixth floor is all the additional parking area the columns of the garage can support.

Finding good locations to build other garages downtown is difficult. Financing them is even more difficult since the Pittsburgh Parking Authority has erected four tax-free garages in the past couple of years and is working on more. So Shephard knew he would have great trouble setting up a wholly new garage and that, instead, he would have to do something new with his building.

• **One Way-Up**—Shephard wanted as many "fixed-charge payers" as possible to cover his costs. He thought for some time of building shops around the first level—which he may do, yet. But meanwhile, Bond & Starr, Pittsburgh advertising and public relations agency, was looking for new offices. Its idea was to find a penthouse of its own. Shephard

wanted to expand and he could only go up. It was left to Pittsburgh architect John Shurko, friend of both, to bring them together.

Meanwhile, the city again changed its garage building code early this year, when it began building its latest Parking Authority garage. The load requirement dropped to 50 lb. per sq. ft. This meant Shephard's steel garage columns could support a penthouse. To take a seventh floor of parking space, the columns would have to be strengthened and widened—and this would have taken up valuable parking space on every floor. So the penthouse was the more attractive solution.

• **Home for Two**—Bond & Starr planned to build the colorful steel and glass suite itself, renting the air and column support from Shephard. Then Shurko met a banker who was also taken with the idea of conducting his business operations in a penthouse. Thus Federal Home Loan decided to share Shephard's roof, too.

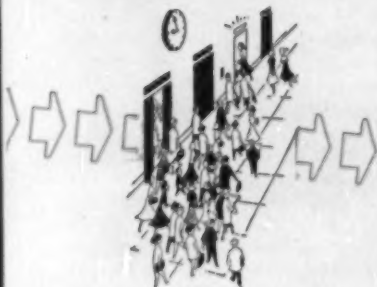
That made the project too expensive for Bond & Starr to handle. So it's been left to Shephard to pay the bill—\$180,000—which he will do with Equitable Life Assurance financing. Each client has a 10-year lease with option to renew it. Shephard has created General Air Rights Corp. and has become its president. This outfit will collect the penthouse rents—and give Shephard a better tax break than if Stanwix Autopark collected the rents itself.

The penthouse, with its four glass walls, will overlook Pittsburgh's Point Park and Gateway Plaza, not unhappily for Equitable, since it built the three skyscrapers at Gateway Center and owns more land there. Three sides will



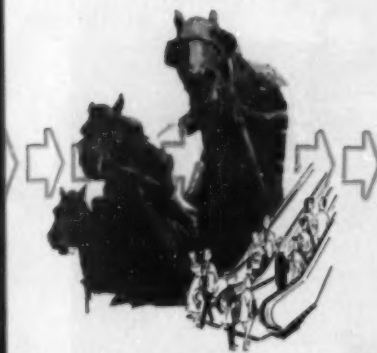
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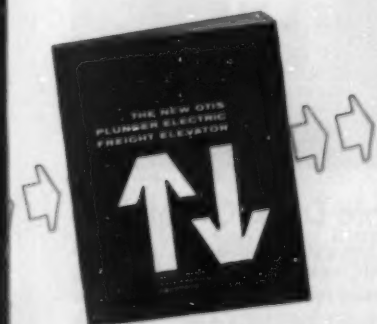
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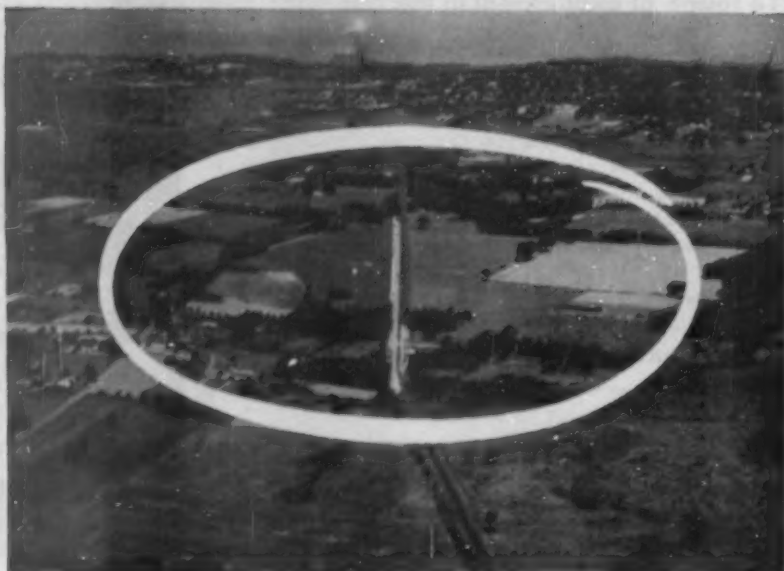
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be blue-green translucent glass; the fourth, facing Gateway Center directly, will be of clear glass.

• **Park at the Door**—Bond & Starr and Federal Loan people will enter the garage from Gateway Plaza. They will be able to park their cars virtually at the first-floor door. A private self-service elevator will whisk them to their penthouse. The elevator will open on a spacious waiting room serving both groups.

The elevator shaft, reaching up to the sixth floor, was built in when the garage was erected. This was a lucky break for Shephard. If an elevator shaft had not already been in the building, the cost of installing one would have been so high that the whole penthouse project would have been impractical. But now, the elevator shaft needs only to be extended to the top-deck penthouse.

Since nothing like building a penthouse of offices on top a garage has ever been undertaken in Pittsburgh, the city had some adjusting to do in its building code. Now the precedent has been set. And it makes another bright spot in Pittsburgh's renaissance.



Double-Deck Greeting

You can get a double-deck reception when you enter the new Long Island (N. Y.) headquarters building of Gerald O. Kaye & Associates Corp. Which receptionist greets you depends on the purpose of your visit. The girl down stairs will direct you to the shipping and part departments, service areas, and sales managers' offices.

The girl upstairs takes charge when you're on your way to the general and executive offices, or the company's showrooms.

Behind this tall doorway, the company has 140,000 sq. ft. of service, office, and warehouse floor space.

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third to one-half the weight of regular tarps—and more flexible. This means quicker, more efficient handling. Coated nylon is *waterproof*, not just water-repellent. And coated nylon resists rot and mildew . . . an important reason why it lasts two to three times as long.

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NAMES & FACES



One-Man Economics

The economists look fondly back to it in picking Edwin E. Witte of Wisconsin as their new president, turning to a man who believes that one broad mind is worth five specialized brains in social science.

After the usual formality of an uncontested election next month, Prof. Edwin E. Witte of the University of Wisconsin will become the next president of the American Economic Assn. A strictly honorary post providing neither emoluments nor perquisites, the AEA presidency is, nevertheless, the only accolade that the sprawling and polyglot fraternity of economists can confer on one of its own. That it should go to Witte will occasion some surprise.

For he is a man and a mind so thoroughly out of step with prevailing intellectual fashion that scores of academicians, government officials, and labor and industry technicians learning about his election will wonder if it can be the same Ed Witte they know.

I. A Man Apart

It is. In this day when the interdisciplinary approach reigns supreme in the social sciences; when teams of scholars separately equipped with slide rule, skull measuring device, and diving helmets for conducting deep interviews roam the landscape; when research in the behavioral studies is virtually a captive of the great foundations, Witte remains scornful and apart from it all. To him, the tree of knowledge is becoming overgrown with groupthing and groupsearch, which are blocking its roots from the freshets of insight. As opposed to the picture of an all-American team with sociologists at the ends, anthropologists at the tackles, political scientists at guards, an economist at center and a backfield made up of project administrators, Witte poses the individual, the rounded man, as an ideal, the Leonardo DaVinci.

How does it happen that the economists, many of whom enjoy the patronage of the interdisciplinary-minded foundations and many more of whom seek it, elect as their president a man who never asked or received the benison of the Ford, Rockefeller, and Carnegie fund managers. A colleague of Witte's at an Eastern university explains it this way:

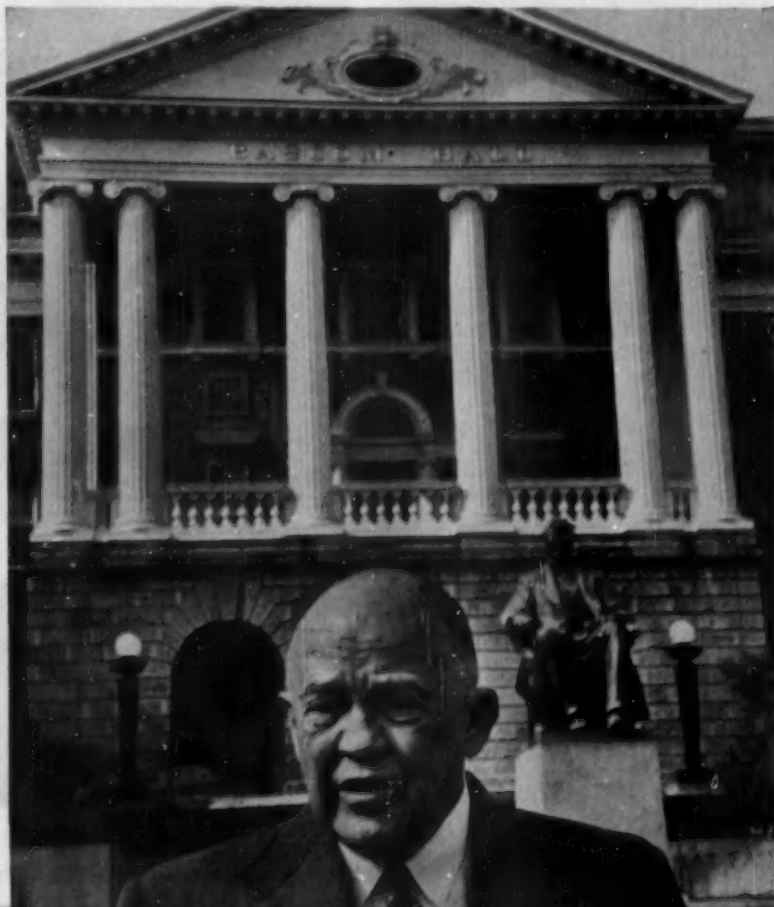
"You could, of course, exaggerate the significance of Witte's election. After all, there's as much real affection for him as for any man in the profession, and his students are all over the lot.

But he does stand for something. He's an old-fashioned teacher and do-it-yourself man. He's against projects. And I think that while most of us are living off the foundations and cross-fertilizing like crazy in committees, there's a secret yen to get back to solid teaching and writing books, in contrast to lecturing in survey courses and doing chapters in anthology volumes."

• **The Trade's Conscience**—No, the economists are not in revolt. They haven't the unity ever to move in the same direction. Practitioners in the field of economics, once confined almost exclusively to the universities, have now proliferated in every direction. They work for government, labor unions, commercial and financial institutions, and for huge supranational bodies, such as the U.N. Except on an issue that is not an issue, such as the demand for better statistics, their differences are more important than the ideas they



A NATIVE WISCONSINIAN on the state university's faculty, Witte is the leading exponent of that brand of applied institutional economics that his preceptor, John R. Commons, developed.





hold in common. But the professors—ingrown, woolly-minded, theoretical, quixotically mettlesome though they be—are the keepers of the trade's conscience, if there is indeed one to keep. It is they who run AEA, the trade association, and it is they who picked Witte as their president.

II. Practical Economist

Witte is 68 years old, Wisconsin born, and except for a visiting semester or summer session has taught only at the University of Wisconsin. Along with his faculty colleague at Madison, Selig Perlman, he is considered the lineal heir of John R. Commons, the late great figure in institutional economics who founded what has become known as the "Wisconsin School."

• "Wisconsin School"—The Wisconsin School, which Witte so thoroughly represents, has contributed little or nothing to abstract or mathematical economic theory that, for the last two decades, has been the economists' fervid interest. The Cantabrigian revolution in theory led by Keynes, and such things as econometrics, model building and game theory, while taught at Madison, were nevertheless outside the central area of the Wisconsin School. Its true exponents were largely unconcerned with the orthodox problems of economic science: marginalism, rates of saving, perfect and imperfect competition, elasticity of demand, and equilibrium. Instead of gnawing at the question "How do things work when they work perfectly," and developing theoretical systems that were fine if you dismissed all upsetting data with the qualification "other things being equal," the Wisconsin School wanted to know how things could be made to work at all and

gave most of its attention to precisely those disorderly factors that somehow never are equal.

• **Institutional Approach**—Thus the real interest of the Wisconsin School turned to those aspects of economic behavior where the economic man—that fabled fellow who is motivated only to maximize his gains or minimize his losses—is as extinct as the dodo. Public utility ratemaking, business regulation, social insurance, and above all, labor relations are spheres in which economic gain or loss is only one in a whole complex of impulses along with social, political, and ideological fears, aspirations, and loyalties.

These are the spheres in which the

individual economic figure—the spender, saver, user, investor, or entrepreneur—is dwarfed by the institution: government, trade association, industry, or union. And it was clear to see that these institutions had lives of their own, different if not more than the sum of their parts.

So the Wisconsin School addressed itself to studying and describing institutions and the processes they use to work out a *modus vivendi* with other institutions and with the larger community. Knowledge of these matters made members of the school expert in those practical arrangements that are necessary for keeping reform and social change earthbound enough to be workable and acceptable. They were the first large group of economists to be used for developing public policy in America. Robert M. La Follette, as governor of Wisconsin, used them to formulate his programs of railway regulation, workmen's compensation, utility ratemaking, and all those other then-unheard-of things that his state pioneered.

III. Government Aide

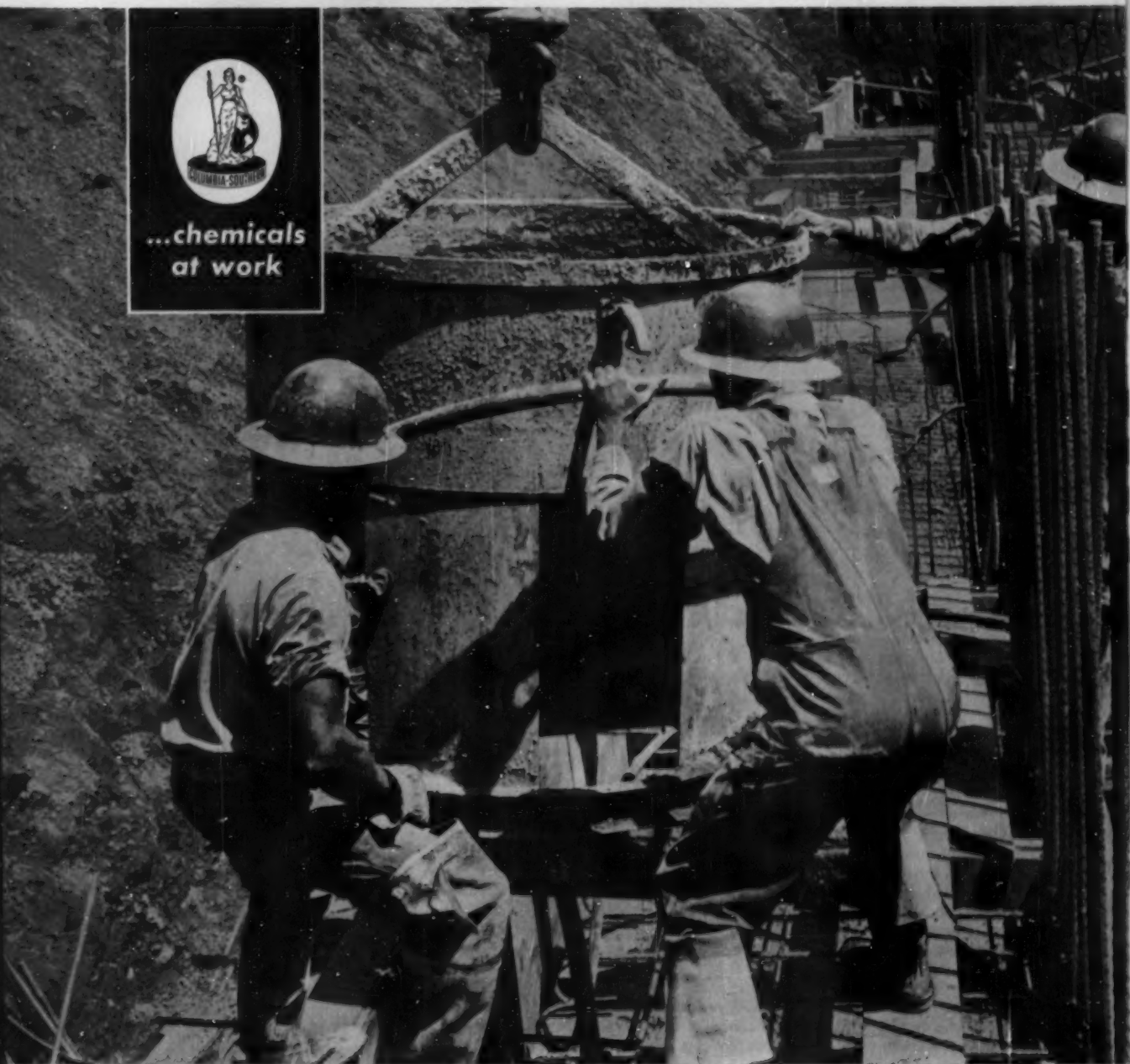
Witte started working with government in 1912 and maintained his relationship with it when he started teaching in 1920. He has written only one book, the *Government in Labor Disputes*, published in 1932, but he is the author of more laws than he can remember, chief among which is the federal Social Security Act of 1934-35.

When Franklin D. Roosevelt made his political decision to make the social security issue his own, he undertook a campaign that, in the context of its





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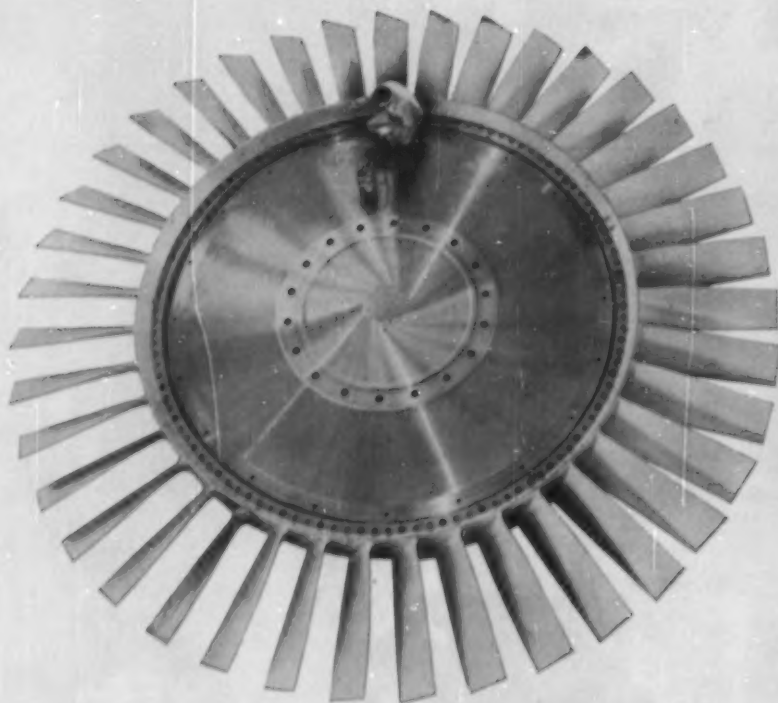
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WITTE Continued



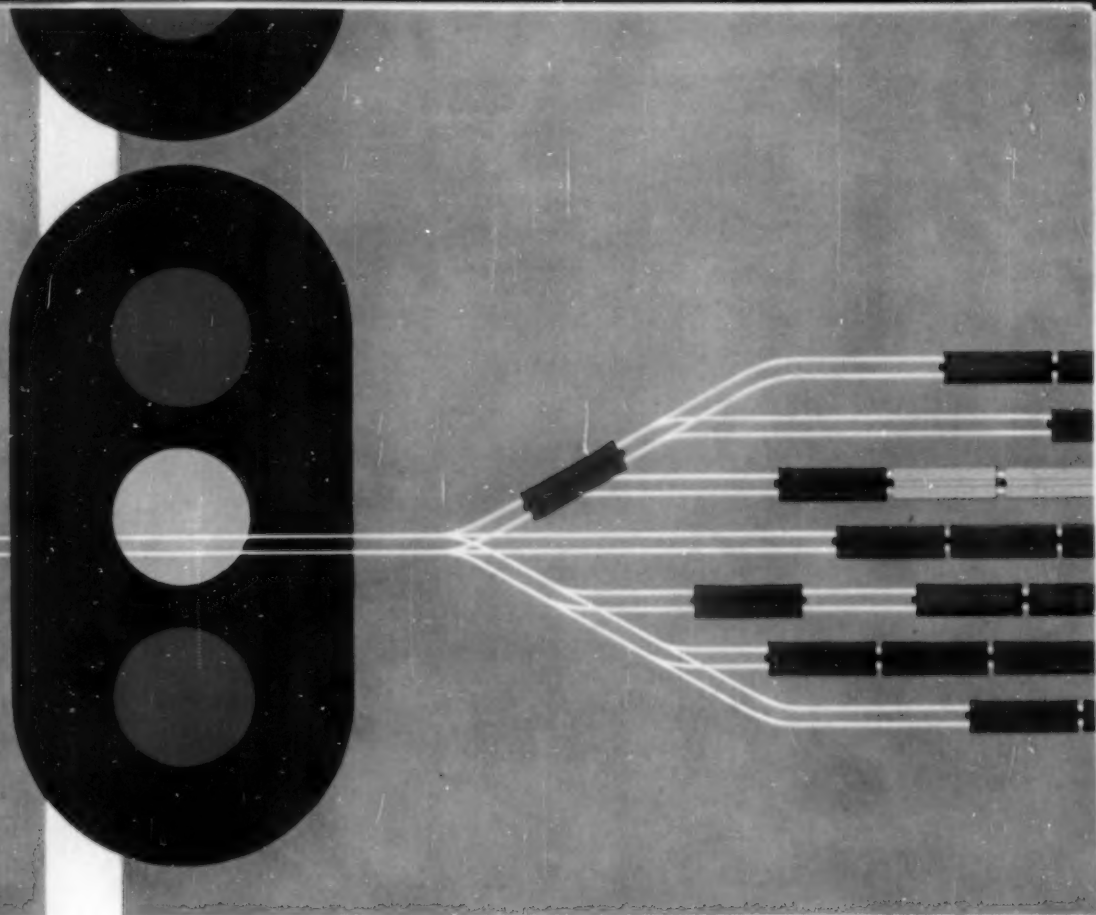
time, seemed bolder and more audacious than closing banks by federal ukase, setting up NIRA, AAA, regulating the security exchanges, building TVA, or overhauling the Supreme Court. It may now be hard to recall the storm loosed by just one small detail of the program: giving covered employees numbers. Newspapers all over the country ran photographs of people wearing numbered dog tags around their necks, looking like nothing so much as "wanted" posters of criminals that adorn post office walls. This new scheme of Roosevelt's was represented as the deliverance of the American people into government wardship, the end of independent individualism in a nation that could not possibly survive without it.

• **Nod From FDR**—Memoirs of men close to Roosevelt at the time relate that the President, who usually took some added spirit from political opposition, was enough taken aback by the shrill reaction to his espousal of social security to seriously reconsider its political cost.

In any event, he was convinced that the job of translating it from political rhetoric into workable legislation was no job for a "pinko," the generic term used to encompass Communists, earth-shakers, world-savers, and crackpots who were then doing much of the New Deal's real work. He handed the job to Witte, who took a leave from the chairmanship of the Dept. of Economics at Madison.

Since then Witte has been much in Washington: as a member of the President's Committee on Administrative Management, the War Labor Board, the Advisory Council for Employment Security; the Commission on Labor Relations in Atomic Energy Installation.

Always it's been at the point where



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When a fast freight is sidetracked to let a streamliner pass, the switch may have been thrown many miles away . . . by electronics. For now one man can regulate movements of trains over 200 miles of track by flicking switches at a central control board. Electronic devices also stand guard to stop trains if a signal is missed, assemble giant freight trains and help sell train tickets.

There have been major advances in locomotives, too. Diesels — which now do about 85% of passenger, freight, and yard work — save up to 25% of their cost every year. In the West, 25 oil-fired gas-turbine electric engines are now used by one road to move heavy-duty freight. On another road, a coal-burning steam-turbine electric locomotive promises substantial savings in fuel consumption.

To finance capital improvements,

at an average cost of about \$1 billion a year — to pay the same amount in taxes and over seven times as much in operating costs — calls for efficient financial planning. So in addition to overhauling operating equipment, railroads are refinancing outstanding securities — often with the help of the Transportation Department of The First National City Bank of New York.

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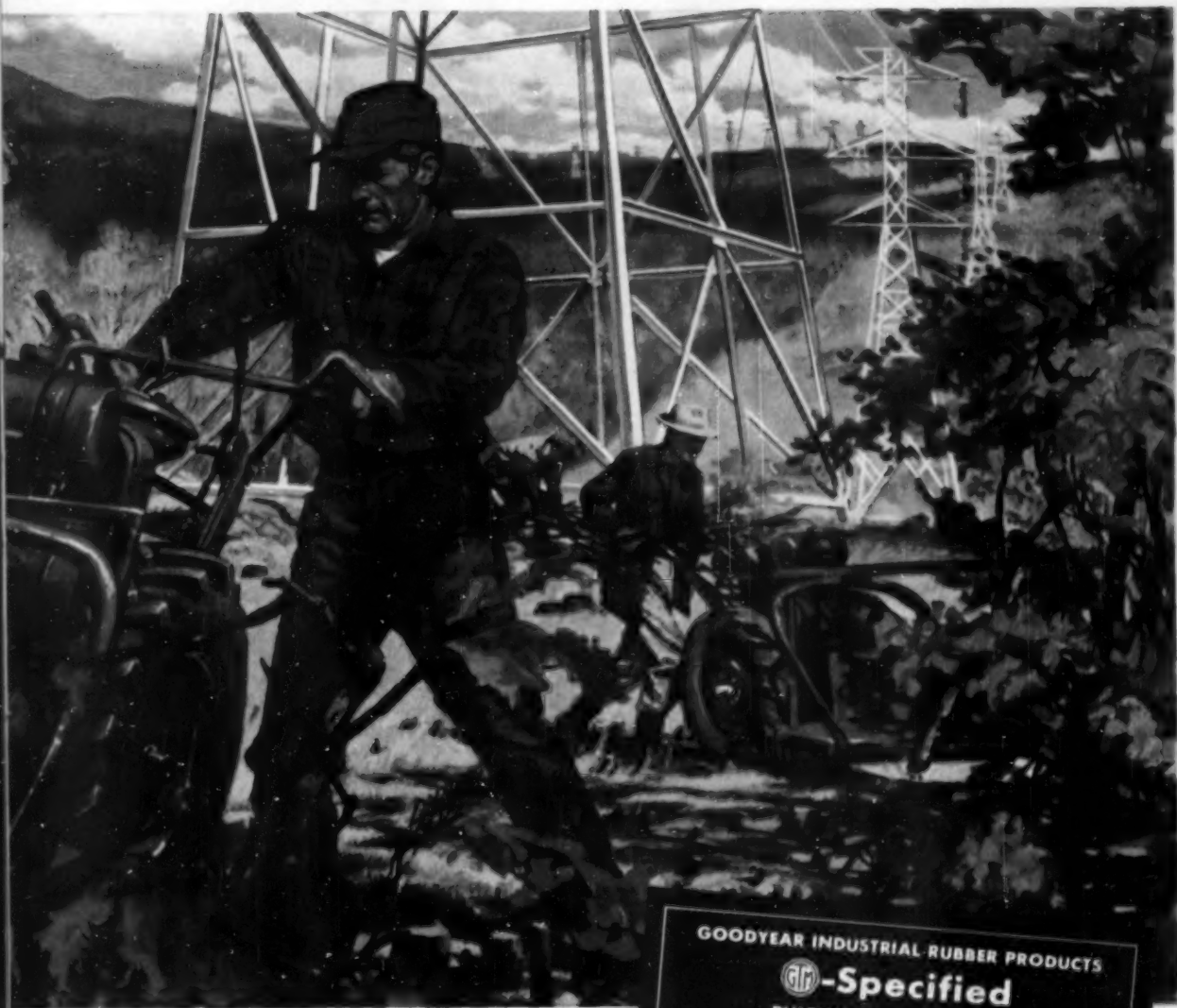
This "Lawn Mower" Cuts

Even **Paul Bunyan** would have opened his eyes at the machine pictured above. Its big, double-edged blade provides 3200 axe-like cuts per minute to free farms, parks, construction sites, right of ways, ski slopes, bridle paths or fire lanes of unwanted undergrowth and weed trees—from 15 to 20 feet tall—at the rate of one to five acres per day. And it also can double as a heavy-duty grass mower, junior bulldozer or man-sized snow blower.

This **whirling dervish** looks and works like the rotary lawn mower you may use. But imagine the shock to its V-belted drive when the cutter whacks into a five-inch tree trunk, or a fallen branch is caught and whipped over the pulleys. From past experience with a similarly driven pulpwood power saw, designers of this land-clearing machine

knew ordinary V-belts would quickly snap in two or stretch beyond use under the torturous quarter-turn and jolting, jarring service. So they again consulted the G.T.M.—Goodyear Technical Man—who solved their previous problem so well.

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institutional bureaucratic conflict had to be resolved, never at the more rarefied level where broad social and political policy is initiated. Operations, not visions, are his forte.

• **Pencil-Chewing Mediator**—His skill with the pragmatic formula makes him much sought after as a mediator and arbitrator. And although his unwordly, self-forgetting manner may sometimes seem misplaced in sessions where intensely wordly men fight and wrangle bitterly, he can be marvelously effective. Witte has the habit, for example, of ruminatively chewing a handy pencil when his mind is absorbed by some thought. A Detroit industrialist tells the following story about him:

During the early days of the war, Witte served as chairman of the regional War Labor Board in Detroit. It was, in the period, the most delicate and important post in the national effort to preserve peace on the labor front. The strong-minded, hardboiled union and industry representatives on the tripartite Detroit board were intransigent oppositionists and the public members, led by Witte, had a very rough time. He would sit at the head of the table and chew up a box of pencils while labor and management members argued themselves, and the board, into a stalemate.

• **Decision by Laughter**—Witte's addiction to pencils did not go unnoticed, and one day one of the industry men came into the board room early and removed all the standard No. 2 lead pencils in front of the chairman's place, substituting for them a box of indelible pencils. The agenda for the board that day started off with a particularly important, precedent-setting case. As the board's secretary reviewed its salient points, Witte absently reached for one of the pencils. As the members of the board watched in fascination, having by that time been informed of the

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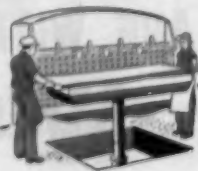
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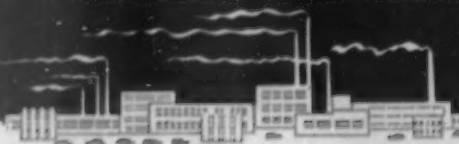
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WITTE Continued



prank, a visible purple stain began to appear on Witte's lips. By the time the secretary finished and one of the labor members began his argument, Witte had finished the first pencil and started on a second. The stain had spread from his nose to his chin. The entire board was coughing and fidgeting as never before when, in the warm air of the room, Witte drew his hand across his face to clear a mist of perspiration. That spread the purple pigment to his forehead and ear. Choking, the labor spokesman subsided and Witte called on the employer representative to speak, meanwhile scratching reflectively the top of his bald head with the pencil point.

The normally outspoken employer member was incapable of saying a word. Just as the room was about to explode, one of the public member colleagues of Witte made a perfunctory motion to accept the secretary's recommendations and recess. It was passed unanimously with a yelp that broke into raucous too-long-suppressed laughter as everybody except Witte literally dashed from the room.

That's the automobile man's story. He tells it to illustrate what a benign, absent-minded, professorish old character Ed Witte is. But there's a sequel that doesn't get told in the Detroit Athletic Club. Witte got a unanimous decision in a big pattern-making case from a board in which unanimity was unknown. Washington couldn't understand how it happened. Witte never explained it.

IV. Patient Teacher

But with all his public service, Witte remained—and remains today—a teacher, a man whose first and foremost interest is his students. With them he is wondrously patient, seeking in each new face, each term paper, each examination

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'Twas the Night Before Christmas



On the highway between Lebanon and Mason, Ohio, Floyd J. Pemberton wheeled his auto haulaway toward Commercial Carriers, Inc., Detroit, and home, with thoughts of spending Christmas with his family.

Suddenly the world of peace exploded in a metal-rending head-on collision of two cars, 300 yards down his headlight beams.

The driver of one car was thrown out and killed instantly. The other vehicle burst into flames trapping two severely injured women. Truck driver Floyd Pemberton quickly parked, rushed to the wreckage with his cab extinguisher and, at the risk of an explosion of the gasoline tank, put out the fire. After setting out flares to warn oncoming motorists, he turned to the injured, removing and applying a tourniquet to one. The other women could not be moved so he applied pressure pads to control the bleeding. Later, hospital physicians attributed the recovery of both crash victims to the quick action of Floyd Pemberton who modestly made no mention of it in his accident report.

His heroic act, plus a record of 500,000 miles of safe driving, earned for Floyd J. Pemberton the Pro Meritis Medal, the trucking industry's highest award, and won for him the coveted title "Driver of the Year" for 1955.

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WITTE Continued

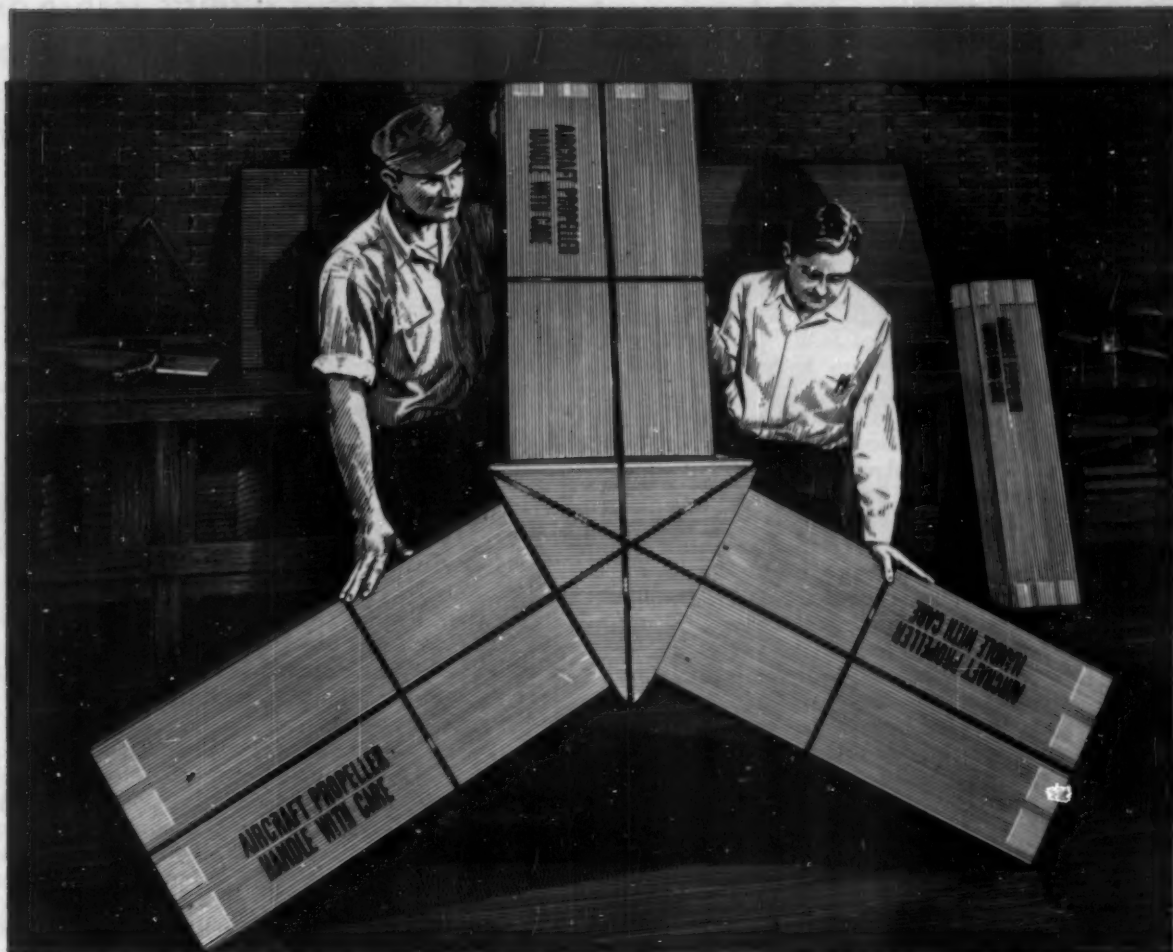


book that sign that here is one that can be developed into a scholar. And his idea of scholarship is no cheap thing.

To him it means the man who fore-swears the easy road of specialization. He does not despise the compartmentalized social scientist or engineer or theorist. But he values them less than the rare, wide-ranging mind that follows the investigation of a problem through all the learned disciplines instead of handing it over at some academic boundary line to someone else. Witte is a throwback to the day when the subject "political economy" covered all the areas now split so sharply among the various social sciences. By his own questing and teaching he would make the rounded man of versatile talents—the Leonardo.



WITTE End



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The three-bladed airplane propeller shown above formerly required a costly, bulky, custom-built shipping container. Today it is packed for safe shipment with production-line efficiency... in a specially developed, lightweight Gaylord corrugated container.

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In Business Abroad

• • •

Resurgence of German Technology Stirs British Business Fears

A little green pamphlet, 103 pages, published by the government, is causing a stir in Britain. Called A Brief Review of Science & Technology in Western Germany, it was greeted with scare headlines—"Germany's peace blitz outstrips Britain"—and, no doubt, with furrowed brows among British businessmen.

Ten years ago, says the pamphlet, Germany's science and technology were shattered. Its scientists were scattered. Its research establishments were 61% destroyed. Now the research setup is almost completely rebuilt. New facilities have been added. And, the review notes, many are better equipped than comparable British establishments. The British authors estimate Germans are spending some 1.2-billion Deutschmarks (\$300-million) yearly on scientific and technological research. That bill is split 50-50 between private industry and government.

The three I. G. Farben successor companies, for example, are each spending DM 40-million on chemical research. One of them, Farbenfabriken Bayer, is completing its fourth new research-development lab in 18 months. Siemens & Halske, one of the world's largest electrical manufacturers, has just finished a new lab in Munich, housing 1,200 researchers. And so on down the line of big companies.

The pamphlet says Germany is rapidly narrowing the gap between its scientific research and that of other countries. It adds that in some fields Germany is "abreast of the rest of the world, if not ahead of it" (for example, in electron microscopy). The review discusses new developments in plastics, dyestuffs, shipbuilding, electronic controls, and many other fields.

The areas where Germans lag are the obvious ones: aerodynamics, radar, nuclear sciences—where postwar controls restricted research. "But it is clear," the British say, "that no effort will be spared to catch up."

• • •

Keeping Tabs on European Business May Be Put on Centralized Basis

Many American companies are sending their experts and executives to Europe to see what's new in products and processes in their particular line of business. Large outfits maintain full-time European observers. Now Armour Research Foundation of the Illinois Institute of Technology is pondering a scheme to make keeping up with the Europeans easier for small and medium-sized companies.

The plan: a European observation post, manned by four engineers, sponsored jointly by perhaps 16 non-competing companies (each might have to kick in \$9,000 yearly). An electrical engineer, for example, might represent four of the subscribers. He would keep them in-

MORE NEWS ABOUT BUSINESS ABROAD ON:

- p. 108 . . Greece's leading tycoon bequeaths his industrial empire to the nation.
- p. 116 . . Iran takes lessons in how to run its oil industry.

formed of everything he spotted in their field. If he uncovered data of interest to other subscribers, he would pass it on to the observation post engineer covering for them.

ARF's Irving Canton (International Dept. project coordinator) has been nursing the European observation post plan for some time. Now he's ready to try to line up clients.

• • •

World Trade Fair for New York Gets a Good Substantial Shove

For years, hopeful impresarios have been trying to set up New York City's first honest-to-goodness world trade fair. The efforts have come to nothing. Now a new plan, and perhaps the strongest trade fair project yet, is gathering momentum.

It is billed the United States World Trade Fair. The time: 1957, Apr. 14 through Apr. 27. The place: The New York Coliseum, now building at Columbus Circle. The promoter: Charles Snitow Organization, managers of the National Hardware Show, the new International Gift & Fancy Goods Show, the International Motors Sports Show, and others.

The idea is to promote, and sell, foreign products in the U.S.—the emphasis is all on imports. The Snitow organization has set up Paris and London offices; the Organization for European Economic Cooperation is helping out; the Commerce Dept. has alerted U.S. embassies overseas to talk up the fair—all in hopes of getting foreign exhibitors to come to the Coliseum (at about \$4 per sq. ft. for display space).

Meanwhile, Snitow is cooking up a massive U.S. advertising campaign to lure buyers—of any conceivable kind of imported product—to New York in April, 1957.

• • •

Business Abroad Briefs

Glenn McCarthy, Houston wildcatter, is trying to expand his South America wheeling and dealing (BW—Jun.25'55,p31). He has a scheme involving a pipeline from the McCarthy concessions in Bolivia into Paraguay, and exclusive rights to build a small refinery there for the Paraguayan market. Problem: how to raise the money.

India is due to get South Asia's first polystyrene plastic plant. Dow Chemical Co. will supply technical help (and hold 25% of the stock) to a new company being formed by Indian businessmen. . . . The Birla brothers, India's leading industrialists (BW—Jul.30'55,p90), want to go into oil prospecting, working with the Burmah-Shell oil combine.

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New
INTERNATIONAL
Models
Offer**



New LIGHTWEIGHT design for HEAVYWEIGHT payloads!

Nine basic COE and conventional, 4- and 6-wheel models—the new D-400 and C-400-L series, 55,000-76,800 lbs. GCW. New closer-to-road Comfo-Vision cabs. New airplane-type shock absorbers. Famous INTERNATIONAL "true geometric steering."



Here are today's biggest big-payload profit makers. Designed with features that make less metal do more work—to let you haul more, faster. Built with new engineering ideas that save you the BIG money in operation and maintenance.

These new "light heavyweight" INTERNATIONALS are hundreds of pounds lighter than regular, standard models. The COEs have bumper-axle, bumper-cab dimensions designed for high cube, full-length-limit trailers. They are powered with tilted diesel engines in range of 165 to 245-hp... are available with gasoline and LPG engines from 175 to 356-hp. New conventional models offer the same engine range—and like the COEs have new accessibility features.

There's increased revenue all along the line in these new INTERNATIONALS. There's nothing on the highway that can beat them in long life, low per mile cost. See your INTERNATIONAL Dealer or Branch and get complete facts—specific to your operation.

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McCormick® Farm Equipment and Farmall® Tractors

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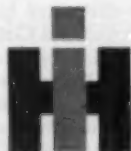
New Space-Saving Bumper-Cab Dimension. 70 inches in COE models with regular cab permits mounting of full 35-foot singles in 45-foot limit, 24-foot doubles in 60-foot limit. 94-inch BC with sleeper cab for 35-foot singles.

New, Short Bumper-Axle Dimension. Only 28 inches on all models takes full advantage of bridge formula weight laws, allows extra hundreds of pounds each trip.

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New Time-Saving Accessibility. New COE model cabs tip forward, feature "easy out" floor boards and seat. Both COE and conventional have swing-away fenders for fast inspection, easy servicing.

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PACKAGING ENGINEERS IN SEVENTEEN PRINCIPAL CITIES



Bodassakis Athanassiades (above), Greek multimillionaire, is leaving his fortune to the nation—a lavish . . .

Gift for the Greeks

Even in the Levant, a region that has produced a half-dozen legendary international financiers and promoters, Greece's Bodassakis Athanassiades (above), stands out. Last month he added one more act to a lifetime of drama: He gave \$400,000 to found a technical school on the island of Cyprus. It was the first installment of a promise Bodassakis made a few weeks ago to the King of Greece: When I die, I will give all my industrial holdings to a trust for the Greek people.

Right now, no one outside the charmed circle of Bodassakis' advisers can say with any degree of certainty just how much his fortune is. A good guess is that Bodassakis controls just under 40% of Greek industry—which means that after his death the largest single chunk of Greek industry will become indirectly "socialized."

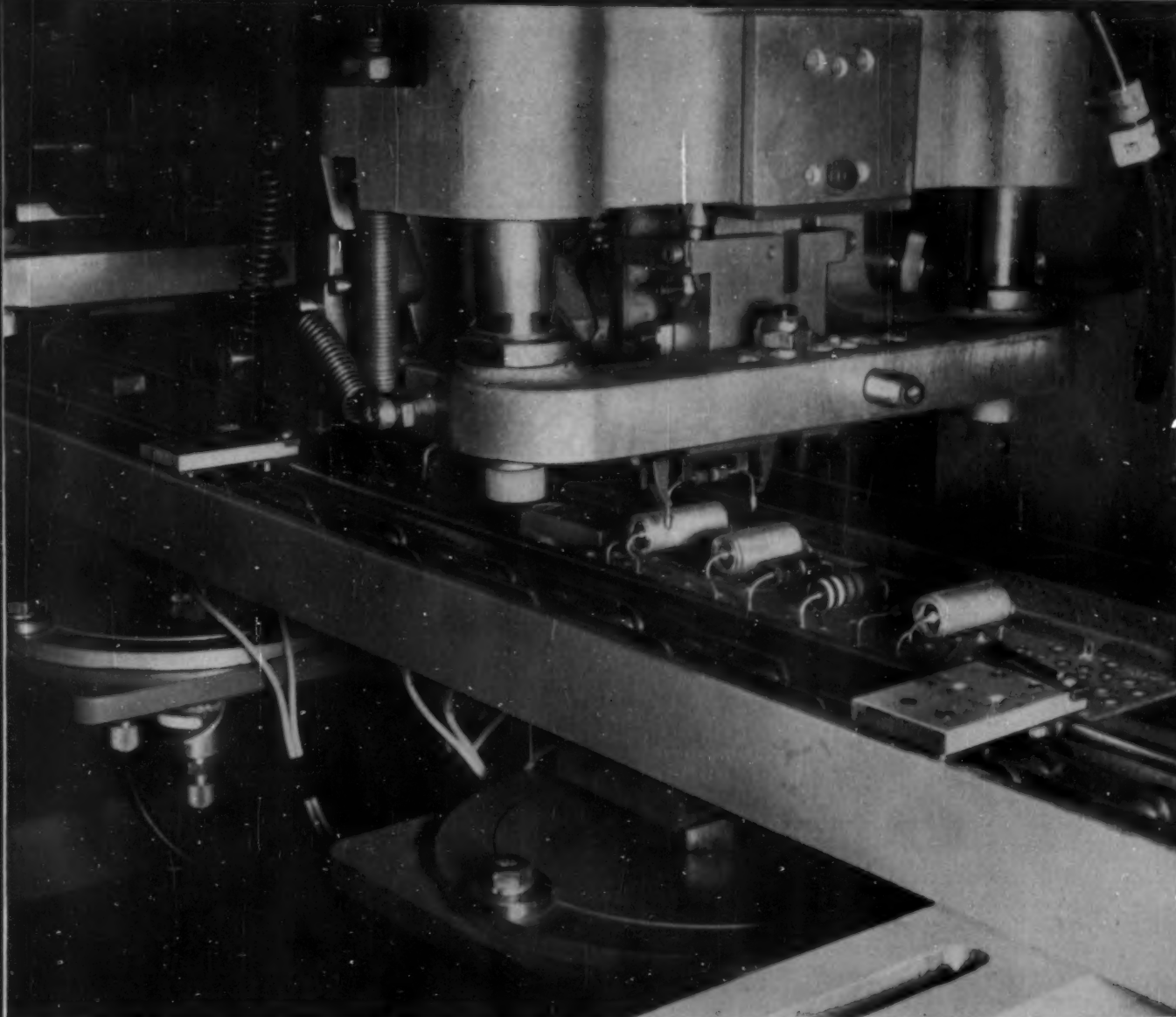
• **Effect Uncertain**—While the whole project seems definite enough now, few observers are willing to venture a guess as to what this will mean for Greece. Certainly the profits from the business

will be welcomed by the poverty-stricken Greek government. But under the terms of the will, Bodassakis' holdings will remain in the control of a non-government trust, like a foundation in the U.S., so the shift may not have much effect on Greek business.

Another problem in evaluating the effect of Bodassakis' bequest is the question of the actual size of his holdings. He operates in heavy debt, and guesses about his holdings run anywhere from \$80-million to \$200-million. A part of these interests, even more shrouded in mystery, is in the Netherlands and South Africa.

• **What He Owns**—Bodassakis owns the controlling interest in a chemical trust, a munitions plant, important nickel and pyrites mining developments, a woolen industry, and the largest wine and alcoholic beverage firm in Greece.

This industrial empire had its beginnings in the first World War when Bodassakis and two brothers sold supplies to the Turkish army. Between the



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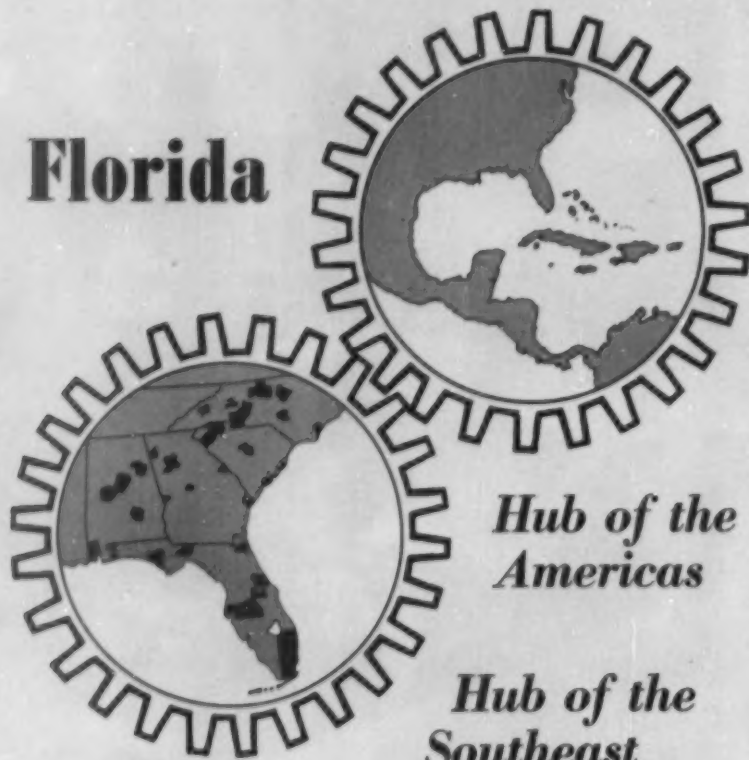
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war, Bodassakis is said to have made and lost two fortunes. His munitions industry played an important part in the Spanish Civil War and, in the early defeats of the Italians when Mussolini invaded Greece in 1941.

After exile in Egypt, South Africa, and the U.S. during World War II, Bodassakis returned to Athens to pick up the pieces. During the postwar period, he has been an indirect recipient of U.S. aid, because his industries provided jobs for Greek workers—an important part of the Truman Plan for saving Greece from Communist aggression. Since Greece has entered the North Atlantic Treaty Organization, Bodassakis has been turning out arms for NATO armies.

• **Target for Reds**—These extensive interests have almost inevitably brought Bodassakis into Greece's turbulent politics. He is, of course, a natural target for the Communists. But even some anti-Communist Greeks resent his close ties to King Paul, the late Prime Minister Marshal Papagos, and other upper-echelon Greek leaders.

Bodassakis' defenders point out he has created jobs in Greece's impoverished postwar economy—today employing 25,000 out of a total industrial work force of about 250,000. And, his friends say, he has put his earnings back into Greek industry—something that can't be said of most other postwar Greek millionaires. Bodassakis' bequest seems, to them, the logical end of his long career.

• **Born in Turkey**—It is ironic that Bodassakis, born outside Greece, should have a claim on super Greek patriotism. He was born in Turkey of a Greek family who, like hundreds of thousands of others, had lived there for centuries. As a boy, Bodassakis sold produce from his father's farm in rural Anatolia, Turkey. At 16, he already owned a flour mill. By the time he was 21, he and two brothers had secured contracts to supply rations for Turkish troops of Kemal Ataturk in World War I. The Turks lost the war, but Bodassakis accumulated a fortune of \$56-million. It was short-lived. Bodassakis, persecuted as a Greek nationalist even though he had never been in Greece, had to flee Turkey for Switzerland.

• **Rebuilding a Fortune**—By the time the Germans invaded Greece in 1943, Bodassakis had built his fourth fortune. Before he returned from exile in 1944, that fortune had gone down the drain. Machinery of his biggest plant, Hellenic Powder & Cartridge Co., had been carted off to Germany.

Bodassakis set about rebuilding his empire—with some of the new know-how picked up from his brief stay in the U.S. where he had dabbled in a rug plant in New Jersey and a shipyard



How not to explode a fuel tank

Cleaning out airliner fuel tanks can be a risky job. Fumes from the fuel, or from the cleaning solvents used, are combustible. One spark from a defective cord on a power tool or electric light, and you've had it.

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Engineers for such jobs. Protected by an outer neoprene sheath which has been cured in a metal mold, Hazacord will outlast ordinary electric cords many times over. Hazacord is just one of many quality electrical cords and cables made by The Okonite Company and its divisions. The Okonite Company, Passaic, N. J.



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(Percentages of additional payload realized by various manufacturers in this field)

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Roto-Broil Rotisserie Broilers	25%
Westinghouse Air-Conditioners	80%

FOOD OR OTHER PRODUCTS?

(Percentages of additional payload realized by manufacturers in various fields)

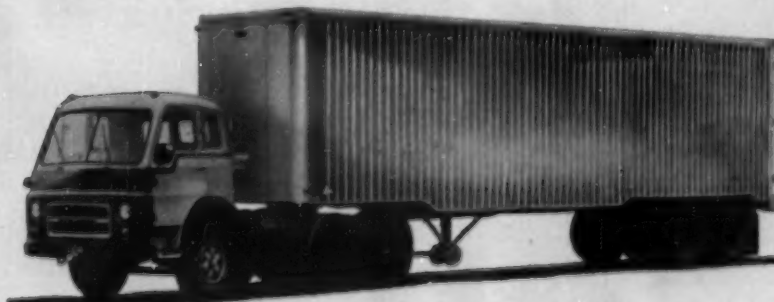
Scott Paper	49.6%
Post Cereals	22%
Nabisco Crackers	22%
Shelton Looms Pile Fabrics	52.6%
Schaefer Bread	88%
Chesterfield Cigarettes	27%
Dutch Maid Cookies	58%
Wilner Wood Products	33%

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in San Pedro, Calif. The U.S. Economic Cooperation Administration came through with a \$2.6-million loan that helped him set up shop. Bodassakis set out to build industries that could export. This, more than anything else, is the reason for his postwar success. The Greek devaluations since 1945 have boosted his products in foreign markets.

• **Big Deals**—Today Bodassakis is selling pyrites to Germany, glass to Turkey, phosphates to Egypt, and brandy to France. He holds \$45-million in U.S. military offshore procurement contracts for 3.5-inch bazooka rockets, 155mm. shells, and small arms ammunition. These have allowed him to completely reequip Hellenic Powder at a cost of \$11-million.

The biggest plans for the future are for the lignite development at Ptolemais in central Greece. Lignite fuel will be produced there to replace the 1.7-million tons of coking coal imported each year by Greece. It will also supply fuel for an electric power development as well as for the Greek railway system.

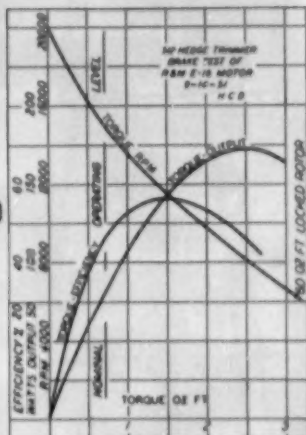
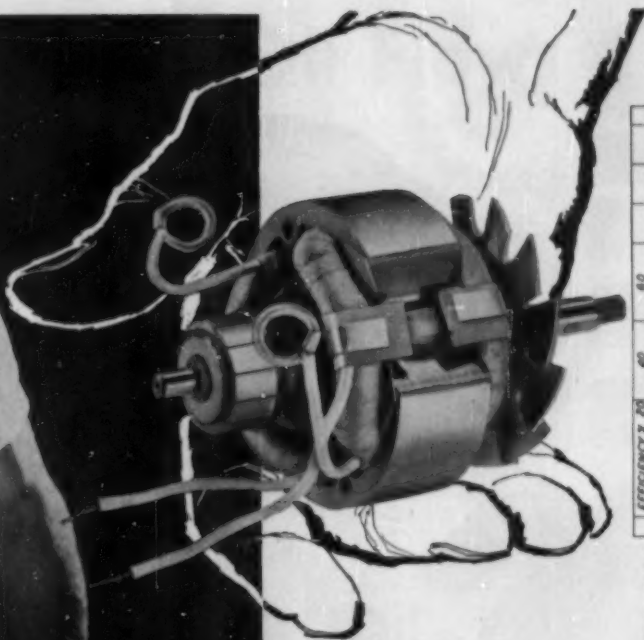
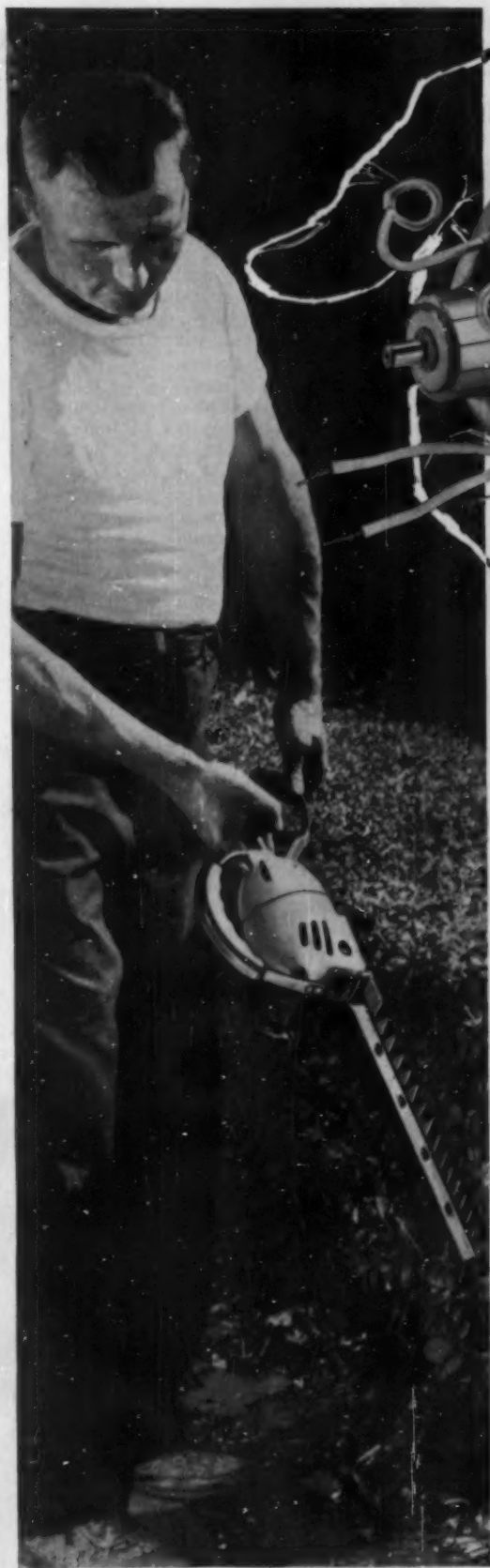
• **Operating on Credit**—According to foreign observers, Bodassakis has carried off the project in typical fashion: with other people's money. Of the total investment of \$20-million, less than \$3-million is Bodassakis' capital—yet he has controlling interest.

Credit for the project comes from the Greek government ("Every time Bodassakis walks by the Bank of Greece, it leaks like a sieve," one Wall Streeter says) and from the German firms that supply the machinery.

Next year, Bodassakis will begin production in a new nickel mine at Larimma, said to be the third largest deposit in the world. The total value of production is expected to be \$10-million annually, pushing mining to the top of Bodassakis' interests. It may replace cotton and tobacco as Greece's chief exports.

• **U.S. Connections**—But Bodassakis' plans don't include cooperative investment with U.S. capital, which is curious if you stop to remember that the U.S. has put \$1-billion of aid into Greece during the past 10 years. Bodassakis says the reason U.S. firms don't do business with him is that they are "childish"—just don't know how to do business abroad. But some Americans have another story: Bodassakis isn't interested in foreign investors unless they give him a controlling share of the operation.

Still there is a solid report on Wall Street this week that a big New York bank has just lent him \$2-million (at 3½% interest)—that the loan is meant to smooth the way for plans the same bank has to open an Athens branch. **END**



Typical performance curves of the matched motor parts R & M designed for the Skil Hedge Trimmer, showing torque efficiency, output and RPM under load.

R&M Motor Helps Skil Make Trouble-Free Hedge Trimmer

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The result? A smooth-running motor that is rugged, dynamically balanced to withstand the 900-per-minute movement of the trimmer blade. This tiny motor develops nearly $\frac{1}{4}$ horsepower, with 6 ounce-feet of

blocking torque off the motor spindle, and a no-load speed of 20,000 RPM.

The final word, however, comes from Skil's service manager, who says the Skil Hedge Trimmer has a wonderful service record, giving outstanding performance with practically no motor failures.

If you have a motor-driven product, it will pay you to check with us at Robbins & Myers. We can supply you with a wide choice of types and sizes of complete motors or matched motor parts.

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Iran Learns

Two years ago the demagogue Mossadegh held the world spellbound, the oil wells were capped, and Iran seemed on the point of dissolving into chaos and Communism.

This fall, Iran is more confident. The country is once again a factor in world oil—to the tune of some 350,000 bbl. daily. And a few weeks ago, in defiance of its Russian neighbors, Iran joined the "northern tier" defense alliance, linking Teheran with Turkey, Iran, Pakistan, and Britain.

• **Training for Iranians**—The two men in the pictures, Khalili and Baniriah, are as much a symbol of Iran's new place, and new hope, in the world as the tankers loading at the oil port of Bandar Mashur. They are two of 11 Iranian technicians and engineers now being briefed and updated on modern oil technology in the U.S. They are guests of some of the 14 U. S. participants in the 17-company Iranian oil consortium, now operating Iran's nationalized oil fields (BW—May 7'55, p150). In all, some 50 Iranians are being sent abroad—to oil installations, factories, laboratories in Britain, on the Continent, in the U. S. and Venezuela, during 1955 and early 1956.

They are the vanguard of many more. As part of their contract with Iran, the foreign oilmen promised to provide Iranians with as much technical training and education is possible.

The oil companies—and the government in Teheran—attach tremendous importance to the business of training Iranians, and replacing foreign technicians with qualified nationals as fast as possible. It's a major part of the job of making Iran, as a nation, feel it has a stake in, and responsibility for, the oil industry. For two generations, Iranians felt removed from the industry, geographically as well as mentally. The oil complex far in the south of the country always seemed the preserve of the foreigner.

• **Progress Report**—Indeed, the business of integrating Iranians into the operation of the oil industry gets as much space as oil production in the consortium's first report. Released recently,

Iranian technicians learn about American oil methods by inspecting installations here. At left, Jack Almon, Atlantic Refining Co., shows M. S. Khalili and N. Baniriah a Texas rig. Using boat (right), Almon and Baniriah tour offshore facilities.

How to Make Oil Flow

the report covers the first year of operation—Oct. 29, 1954, through Oct. 31, 1955.

Production: Iranian Oil Exploration & Producing Co., one of the consortium's two operating companies in Iran, expects to average 357,000 bbl. daily this year. For 1956, it has promised to produce nearly 500,000 bbl. daily, then hit 637,000 bbl. daily in 1957, about the prenationalization peak. To keep up such a rate will require new exploration, new fields. Meanwhile, the company is at work developing existing fields, building new pipelines, expanding Bandar Mashur to handle up to 90 tankers monthly.

Refining: Sprawling Abadan refinery, now run by Iranian Oil Refining Co. (the other consortium operating arm), was kept in good shape during the closedown. It's now handling 141,000 bbl. daily, to be stepped up to 280,000 bbl. daily by the end of next year. Abadan's throughput is coming back very slowly—for the simple reason that so much additional refining capacity has been built elsewhere.

Supporting services: Under the consortium agreement, all auxiliary services eventually will be handed over to the National Iranian Oil Co., the government entity that owns the industry and, in effect, employs the consortium. For the time, the consortium is building upwards of 1,000 houses for workers, increasing hospital facilities, buying new buses and cars, improving food and water supplies. It also is trying to encourage, without great success, private Iranian enterprise to start stores, ice plants, bus services, and the like.

• **Money Pours In**—Meanwhile the oil—except for 17,000 bbl. or so a day that Iran takes for its own use—flows into world markets, and money flows into Iran. Through the first 11 months of the consortium operation, Iran has received \$75-million in income tax revenues, cash payments and oil. For the current Persian year, ending in March, the figure will be close to \$100-million. And in two years time it will be close to \$200-million—equal to the entire Iranian state budget this year.

In addition, the industry brings in about \$50-million a year in foreign exchange to meet expenses. In all, industry payments to Iran, wages and salaries and local purchases will amount to the equivalent of \$170-million for the current Persian year.

The money is going to work slowly in Iran. The government's seven-year-plan organization is doing its best to build up dams, roads, water systems, and schools—to prove to Iranians far removed from the oil industry that something is being done to raise their living standards.

• **Uphill Battle**—But Iran has a long way to go. It is still a feudal society. Iranians still distrust the foreigner, be he Western oilman or next-door Russian. There are still many malcontents and rabble rousers trying hard to throw another spanner in the works, as was shown in last week's attempt to assassinate the Premier, Hussein Ala. And there is still indifference on the part of many wealthy Iranians, who leave it to the Shah and a handful of others to try to institute basic reforms the country needs. **END**



PYRAMID

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THOMAS M. EVANS, president, looks after the acquisition side of his firm's business. His chief interest is financial.



CLARENCE R. DOBSON, executive vice-president, does the hiring, training, supervising of key management. But . . .

Porter Divisions Boss Themselves

There is a law of nature that states that the moment growth stops, the process of dying begins. In the opinion of some, this is a commercial canon, too.

Here, for instance, is what one businessman had to say on the subject earlier this year at a Newcomen Society dinner: "With the tremendous resources in selling, research, planning, and manufacture of the very large organizations, smaller companies are


faced with only two alternatives: growing, or remaining as they are, which we feel eventually means falling behind, if not finally going out of business."

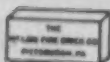
The speaker was Thomas M. Evans, president of H. K. Porter Co., Inc. Since he acquired this then-bankrupt company in 1939, he has made it grow by probably the quickest and most economic method—acquiring going businesses usually family-owned or closely held.

• **Latest**—Last week, the papers were signed that marked the formal transfer of the Porter company's two latest acquisitions.

The first paperwork involved taking over the business of Henry Disston & Sons, Inc., of Philadelphia—a famous name in saws. The hand saw is Disston's best known product, but the company also makes a number of industrial and consumer items. Disston's sales have been running around \$20-



 W. Harvey Thompson is in charge of Riverside Metal Co. as vice-president and general manager.



W. Alfred Turner is top man of H. K. Porter's McLain Fire Brick Division, Pittsburgh.



C. Stuart Beattie looks after operations of Delta-Star Electric Division in Chicago.

million a year, but in the past two years it had substantial losses. It had production problems, too. Its equipment to grind and heat-treat steel is old, and its assembly and finishing equipment even more antiquated.

The second deal focused on the purchase of Carlson & Sullivan, Inc., of Monrovia, Calif.—a maker of tape and steel rules doing a business of \$1-million a year. The company's new name will be Carlson Rules & Measures, Henry Disston Div. Both acquisitions were announced last week, one day after a minority stockholder suit to prevent the sale of Disston had been withdrawn.

The Disston deal was set in motion months ago by Evans, who along with being Porter's president is its principal owner (77% of outstanding common shares). Evans' decision to buy Disston was typical of other decisions he has made. He started building the Porter industrial complex by taking over an old maker of steam switching locomotives, got it out of the dying business entirely, and rebuilt the company through absorbing other businesses. The end result is a not-too-small enterprise (sales this year are estimated at about \$100-million not counting in Disston), with 20% in refractory materials, 20% in industrial rubber products, 20% in electrical equipment, 30% in rolling and melting steel, and 10% in an assortment of steel products.

• **No Formula**—Evans says he has no set formula for acquiring companies, because each case is different. However, there is one great similarity in all of them. Somewhere along the line there are tax angles of considerable importance involved. Evans' knowledge of taxes is so great that working out these angles seems to be the common key to the transaction. And, to that

extent, the Disston deal is a typical Evans' deal because, as Evans himself analyzed the situation, there were tax advantages to both sides.

• **Sellers' Gains**—The principal sellers are the Disston family members, who owned around 80% of the stock either directly or through trusts. According to Evans, the sellers' gains line up this way:

• Earlier this year, prior to Porter's interest in the company, Disston stock was quoted over-the-counter in the low 30s. The Evans proposal will give Disston stockholders approximately \$65 a share in a senior stock—through exchange of Disston stock for \$6-million par value 41% cumulative voting preferred stock. This is the first transaction Evans has made in which he did not pay cash instead of stock. Up to now, he has prided himself on being a cash dealer.

• Since the transaction involved an exchange of voting stock, it will be taxfree as far as Disston stockholders are concerned. If they sell their new stock, and if their Disston stock was acquired at less than \$65 a share, they will, of course, have a tax to pay. If their cost basis was more than \$65 a share, they can spread the loss and take it over the years, thus getting the maximum tax advantage.

• Some of the large Disston stockholders are older people, with trust funds, seeking income. When Porter took over the company, one of the first things it did was pay off a term loan agreement that would have prohibited dividends being paid on Disston stock because of the recent losses. As it is, the first dividend on the new Porter preferred will be payable Feb. 1, 1956, and thus provide income for these trusts.

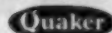
• To reduce manufacturing costs,



B. Campbell Blake stayed with Connors Steel Division, Birmingham, to run it for Porter.



George A. Dauphinais was installed as top man at Quaker Rubber Corp. Division some time after Porter bought it.



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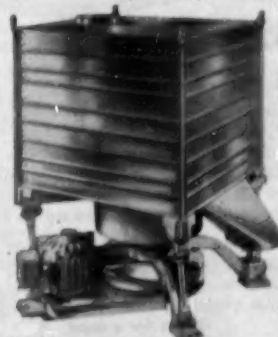
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the Disston plant needed substantial capital expenditures for new machinery. This would have been impossible for some time to come, because of Disston's shortage of cash.

• **The Disston business**, being in one line, was subject to fluctuations that the Porter diversification should be free from.

• **Buyers Win**—When it comes to the buyers, Evans sees these advantages:

• Porter acquires an outstanding line of products in the saw field.

• Porter, which sells to industry, adds approximately \$20-million a year to its sales volume in this field, with no dilution of its common stock and no depletion of its cash.

• Operating economies with other Porter divisions can be achieved.

• Porter secures about \$500,000 a year additional depreciation because of the high valuations on Disston's fixed assets.

• Because of Disston's losses in 1953 and 1954, Porter will acquire a tax loss carry-forward of approximately \$34-million which can be applied against Porter's earnings, as well as Disston's, and used up in 1956, 1957, or 1958.

• **Second Phase**—Up to now, Evans has played the leading role in the Disston deal. He ferreted out the company, made the offer, determined how the transaction would be worked out, and followed through to its conclusion. This was the financial part of it.

Now that Disston has joined the Porter family, it will be primarily a problem of men—management men. And, as Evans took off for a few days of duck hunting, the task began of making Disston fit the Porter mold.

• **Lead Roles**—At this stage, two men move on the scene importantly. One is Clarence R. Dobson, executive vice-president of H. K. Porter. Evans persuaded Dobson in 1946 to give up his 26-year tenure with Jones & Laughlin Steel Corp., where he was vice-president of operations. Dobson is the operations boss of the whole shebang.

The other principal in the new phase is L. L. Garber, who has been running the Alloy Metal Wire Div. of Porter at Prospect Park, Pa. He becomes vice-president and general manager of the new Disston division. He will run that ring of the circus. And, according to the Porter pattern, he will really run it.

Evans says, "We are firm believers in decentralization." Each division general manager must accept complete responsibility for his divisional activities from personnel to production to sales. "We hire people to make decisions," Dobson says, "not to sit around on their tails and talk about things."

Dobson is the man who picked many of the division managers and even more

of their second men. He's the one who has to take a new member of the Porter family and adjust it to the Porter beat—clean up the assets, install the Porter management (which may be the same management as before Porter bought, but which even so must make the switch and become a Porter management).

• **Manpower**—In these days of reported shortages of men of management caliber, where do Evans and Dobson get the men to run the companies they buy?

Actually, they expect to get most of them from the purchased company itself. In one sense, that seems natural; in another, unusual. Many of the properties that Evans buys have been family-owned or absentee-owned, and often managed by people who have no expectation of owning a share of the business, and who may be more interested in a good thing than in aggressive management. Evans buys such companies because such ownership and management ultimately make them vulnerable, and because the tax laws make it easy and attractive to buy them.

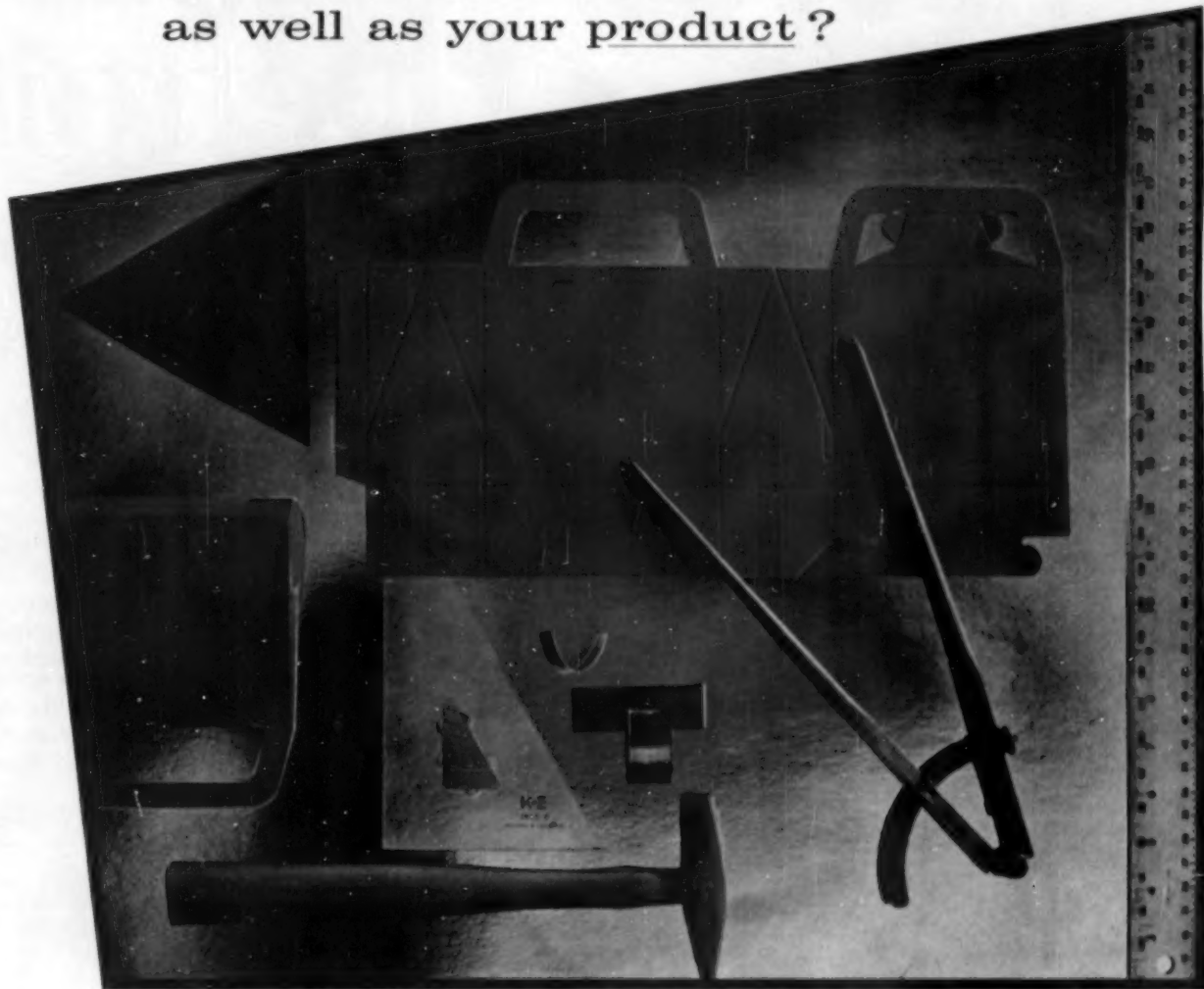
• **Submerged Talent**—Dobson says it's true that these plants often contain a lot of fairly submerged people who may be more capable of making the right decisions about that particular business than are the managers who are supposed to make them. So he and Evans look for such people when they take over a property.

Perhaps as good an example of this as any is C. Stuart Beattie, general manager at the Delta-Star Electric Div. in Chicago. "I look to see who's been doing the work and not getting the credit," Dobson explains. "At Delta-Star, R. E. Anderson and Beattie were doing the work. Anderson handled sales, Beattie production and engineering. I talked to both, and it was apparent to me that Beattie was the man I'd hire if both came in off the street looking for the job. Anderson, too, was a good man and he had the contacts. We kept both."

• **Promotion**—Or take the case of B. Campbell Blake, who went to work for Connors Steel Co. in Birmingham right after he got out of school in 1929, and has been there ever since. He had a managerial job, but wasn't the top man when Porter moved in. He quickly was made top man, however.

Blake describes his first meeting with Evans as cordial, and recalls that Evans talked plant expansion right away. "He asked what we wanted and we told him," Blake says, referring to a \$2-million expansion program that was immediately launched. Connors' business had been heavy on cotton bale ties. Blake thought that this was a line that ought to be dropped. Evans went along with the idea, even though

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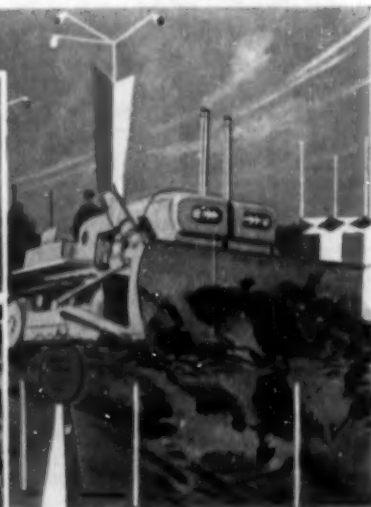
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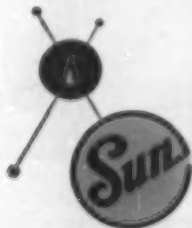
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"... the Porter company has no formal, planned, costly management development program ..."

PORTER starts on p. 110

ties represented 40% of the volume at the time. Blake was impressed also by the speed in getting action.

One acquisition that underwent a minimum of transition was that of McLain Fire Brick Co. When Porter took it over, Evans persuaded W. Alfred Turner, president of McLain, to stay on as divisional general manager. Turner admits he hesitated, but Evans talked turkey to him. "I have more freedom now, operating for Porter," Turner says, "than I had when I was president of McLain."

• **Porter Men**—On the other hand, two important Porter divisions—Riverside Metal Co. and Quaker Rubber—are managed by men put there by the Porter home office.

W. Harvey Thompson, of Riverside Metal, says he got his job with Porter through the friend of a friend. He went to Pittsburgh in May, 1954, with the title of assistant to the executive vice-president. Actually, he was brought in to do a sales supervisory job over the entire Porter operation. Because neither he nor Porter's top management believes in immobility, he started out immediately on a jaunt around the country to look into the sales situations of various divisions and branches.

As a result, he got to know a great deal about the various operating divisions. It wasn't surprising, then, when he was named general manager of the Riverside Metal Co.—a producer of nonferrous alloys in strip, rod, and wire—when it was acquired by Porter in November of that year. The board chairman was elderly, and there was in fact no president. That's why Porter ordered its own manager in right away.

The first thing that met Thompson's eye as he flew into Riverside, N. J., was a seven-story office building shaped like a keystone. It was a sort of monument to the Keystone Watch Case Div., which actually was the predecessor company to Riverside Metal.

Inside the building, Thompson discovered that it was sparsely populated, with great gaps between people and desks. One of the first things he did was to compress the office force into about half the space it occupied. Air conditioning was installed, a lot of paint thrown around, and the general appearance of the office picked up. These simple improvements turned out to be real morale boosters. Today, that same staff handles twice the volume of business it did when Porter took over a year ago.

• **Top Job**—When Porter took over Quaker Rubber in 1950, George Dau-

phinai—who had been with Porter since 1947—was sent in as works manager. Dauphinai started out as plant engineer at Mount Vernon Car Co., one of Porter's early acquisitions. Soon after he started, Porter decided to close the Mount Vernon plant, and Dauphinai got his first managerial job—liquidating the company.

Apparently he did it well. After a couple of years as Quaker works manager, he got a crack at the top job of general manager. Dauphinai says that when Porter took over Quaker, the plant was hay-wired together. Porter spent \$2-million bringing the plant into shape. "We knocked out walls and took out more bricks than we put in," Dauphinai explains. And plant improvement hasn't stopped by any means. Dauphinai still is on the lookout for opportunities to put in equipment that will pay out in a year's time.

• **Self-Staffed**—Dauphinai and the other division general managers have their own management staffs. Usually they include a general sales manager, works manager, controller, purchasing agent, and perhaps someone in charge of engineering or research and development. This staff reports to the general manager and the general manager reports to Dobson and/or Evans. "You have to have good back-up men," says Beattie. His own next-in-line at Delta-Star is Stanley C. Killian, assistant general manager and chief engineer. He, like Beattie, is a holdover from the old pre-Porter days. And behind is John A. Romane, general sales manager who is also an engineer. It is part of the Evans-Dobson policy to have one or more No. 2 men in each division so that somebody is there ready to take over if a switch has to be made.

• **Training Ground**—At the Pittsburgh headquarters, Dobson always had an assistant—often not for very long. The reason is that a number of them now are managers or second men in the various divisions. These men have proved themselves so well that not long ago Evans instructed Dobson to have two assistants because he evidently figures this is the ideal way to train division managers. The plan gives Dobson a chance to get a close look at a man before actually putting him in a top divisional spot. "I don't want to hire a key man blind," he says.

• **No Frills**—The Porter company has no formal, planned, costly management development program. That, like many other corporate "frills," just doesn't exist at Porter.

Dobson doesn't believe that very high

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salaries and an elaborate executive-compensation program are necessary for Porter. He feels that what the company really has to offer a youngster is a chance to grow, and grow rapidly.

Nor are managers and their key people paid large salaries by today's standards. A manager, for example, may get \$20,000 a year. But on top of that is a bonus plan that can be very remunerative. A manager is given a bogey, and is cut in on the profits above a certain level. If you're above the bogey, you get your share.

Another corporate "frill" that Porter does not have is a stock option plan for key personnel. But again, there is a variation of it. Evans does lend money to key personnel to buy Porter stock—actually buys the stock for the man, turns it over to him, taking a note in exchange.

• **On His Own**—Dobson believes that a manager is a manager, and that the man who can manage one operation can manage another, quite different operation equally well. He doesn't consider, for example, that a man must be an expert in refractories to manage a refractory operation. The outstanding example of this tenet is Thompson, who was chosen to head up Riverside Metal Co., although he had never been an operations manager before, having confined himself to sales.

• **Link**—The dollar sign is the principal connecting link between the operating divisions and headquarters. Each general manager produces a steady flow of financial figures to keep the head office informed on the status of his operation. As long as the figures seem to stand up under analysis, Pittsburgh usually keeps hands off. The only time a division manager has to get approval from the head office is in connection with capital expenditures. Approvals aren't slow in coming through, either—a request often is answered the next day. And once a new company is taken over, it isn't uncommon to have rapid fire action on capital improvements. Beattie recalls that Porter Co. didn't have the Delta-Star plant two hours before Evans said to get a certificate of necessity for expansion.

• **Successor**—Since Dobson is nearly 60, the question of his successor already is being talked about, even though there is only one man—Evans—who can make that decision. Nevertheless, a few of the young men brought into the organization by Porter are considered likely candidates. Evans himself is only 45, so his connection with the company seems destined to go on for a number of years. If, however, death should overtake Evans prematurely, two men—one from the Mellon National Bank and one from the City Bank Farmers Trust Co.—have been authorized to discuss his successor with the board. **END**



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Trend in Boards: More Insiders

● New analysis shows more company officers are getting boardroom seats these days.

● And when inside-the-company men run the board, chances are best for profits, professor says.

● More insiders appear on consumer goods companies' boards than on heavy industry's.

Ask almost any student of the modern corporation what he knows about boards of directors and he'll tell you:

• There has been a trend, especially since the end of World War II, away from officer-controlled boards of directors—generally called inside boards—toward outside boards where a majority represents non-management interests.

• This trend appears to be all to the good, as far as business and the public interest is concerned (BW-Mar. 12'55,p101).

Now comes an analysis by Stanley Vance, professor of industrial administration at the University of Massachusetts, that raises some doubts about both assumptions. The word of the 40-year-old Vance carries weight: He got his Ph.D. in economics at the Wharton School of Finance; since then has specialized in industrial management.

In his 37-page monograph, Vance analyzes 200 industrial corporations that are now leaders in sales volume and total assets. He compares the composition of their boards in 1925 with that of 1950. Then he averages each corporation's record over two prosperous periods—1922 to 1928 and 1947 to 1953—and arrives at a series of performance ratings showing how each fared. His ratings, or "criteria of success," take into account growth in profits, sales owners' equity, and total investment. Of these, profits get the most important weighting.

• **New Theory**—By this route, Vance comes to these conclusions:

• It is a myth, at least for the giant corporations, that there has been an increase in the number of companies with outside boards. Actually, the reverse is true.

• On the average, companies with inside-controlled boards made a better showing in Vance's hard dollars-and-cents tests than those dominated by outside directors.

Actually, Vance's figures on directors go only as far as 1950. He thinks the trend still exists today, although he doesn't have figures to prove it. There are many who would doubt that his 1925 to 1950 trend still stands up.

But Vance's study is much more than a statistical analysis of the changing character of the American board of directors. He first establishes the changes he sees and then attempts (1) to explain the shift; (2) to project it; and (3) to defend the change toward officer-run boards as a healthy trend for management, stockholders, and the economy generally.

I. Changing Boards

In his study, Vance breaks the composition of the 200 boards into three categories. First, there is the inside board, one in which 75% or more of the directors are operating executives or members of families with controlling interest. Second, there's the intermediate, or hybrid, board that consists of 51% to 74% inside directors. And third, there's the outside board with 50% or fewer of its members taken from operating management.

Vance tries to prove his first point—that outside boards are becoming less common—by citing these figures:

• In 1925, there were 884 outside directors, 1,355 insiders among the 200 corporations he studied. In 1950, that ratio was 895 outsiders to 1,545 insiders. The change amounts to a net gain of 3.1% in favor of inside directors.

• On an individual company basis, 87 of the 200 companies had inside boards in 1950, compared with 80 in 1925. The number of companies with either intermediate or outside boards declined—from 44 to 39 and from 76 to 74, respectively.

• **The V-P's Role**—The analysis goes beyond cold figures. Vance contends that even where companies have maintained an outside board, the trend is toward giving more and more of the authority that the board used to hold to professional managers. He cites General Electric Co. as the best example. There, as in many other companies, operational executives with the title of vice-president are numerous. At the time of his study, GE had 35 vice-presidents—none of them on the board of directors.

He asks the question: "How long can outside policy makers keep high caliber managers content in secondary roles?"

He answers with the prediction: "The probability is very great that these outside-controlled firms are going through a metamorphosis whose ultimate is the inside version of corporate control."

II. Which Way Is Best?

Vance stacks up financial evidence to try to prove his second major point—that companies with boards controlled by insiders are, on the average, better managed.

In each of three methods of comparison—using his criteria of growth in profits, sales, owners' equity, and total investment to form a rating scale of "A" through "E"—companies with inside boards stood head and shoulders in total numbers above those with either hybrid or outside boards.

For instance, when Vance grouped the companies according to 16 industrial categories, 54 inside-run companies ranked either "A" or "B". Only 17 companies with hybrid boards and only 15 outside-run companies got these marks. Vance gives his ratings another twist by dividing the 200 corporations into groups of 50, each made up of companies of about the same size, and comparing the companies with each group. Here again, the companies with inside-controlled boards got many more top ratings than the other two types.

• **Clash of Opinion**—But then, Vance is not content to draw conclusions from his own evidence, so he compares his ratings with those made by a couple of other sources. One of them is the American Institute of Management, a non-profit organization that publishes an annual list of what it claims are "excellently managed" companies.

Comparison between Vance's work and AIM's isn't directly possible since, as Vance says, AIM gives "considerable weight . . . to subjective appraisal. . . ." As compared to dollars-and-cents performance, Vance charges, too, that AIM's ratings are suspect because of what he calls a built-in bias. The bias, he says, is clear in this statement from AIM's report: "One of the fundamental tenets of the Institute is that the majority of the members of any board should be drawn from outside the company . . . companies which are rated excellent in this category [and yet] do not fulfill this requirement are excellent despite the condition."

To this Vance replies: "These unsubstantiated assumptions presumably

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act as weights in the AIM analysis in favor of outside-controlled corporations."

Despite this, six of the eight industrial companies that AIM ranks as tops are run by inside boards. In addition, among those AIM picks out for special discussion, 44 are inside-controlled and only 20 outside-controlled.

III. Trend of Revolution

What Vance is describing is, of course, a form of the much-discussed managerial revolution. And he counts the revolution as a good thing. As he puts it: "In contrast to the caste system of outside control, which postulates the inherent superiority of a select group, functional [inside] control draws from the personnel of the entire organization. This is industrial democracy in action."

But how does this industrial democracy affect the stockholder? Vance says that of the corporations in his study which AIM lists as excellently managed, 50 had dividend records dating back more than 25 years. Of these, only 13 were outside-controlled, nine were of the hybrid type, and the bulk — 28 — were inside-controlled.

• **Balanced Power**—Vance insists, too, that the public can rest easy about the growing power of the professional manager in the top policymaking jobs on boards of directors. The checks and balances of government regulations, competition, and labor unions, he says, "ensure adequate introspection."

IV. The Latest Shifts

How about the future? Vance's study stops at 1950. Right now, there is some evidence that since 1950 there has been another change, this time toward adding outsiders—even professional directors—to boards. You see such a break now and then among big companies, such as Standard Oil Co. (Ohio) which this year added two outsiders to its board. In smaller companies, it may even be more pronounced as families relinquish ownership of tightly held companies.

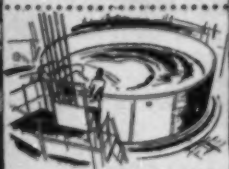
Vance himself hesitates to say how long the trend he describes will go on.

• **Markets and Money**—But one bit of evidence he presents suggests it may very well go on—and that in the next 50 years corporate directors will come mostly from within companies. He found that companies in close contact with consumers—in the apparel, beverages, meat packing, auto industries—have a higher percentage of inside directors. Capital goods industries often are controlled more by outsiders.

There are two explanations for this, according to Vance. First, consumer industries need policy makers who,



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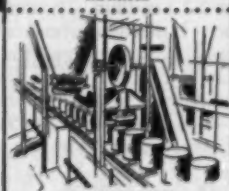
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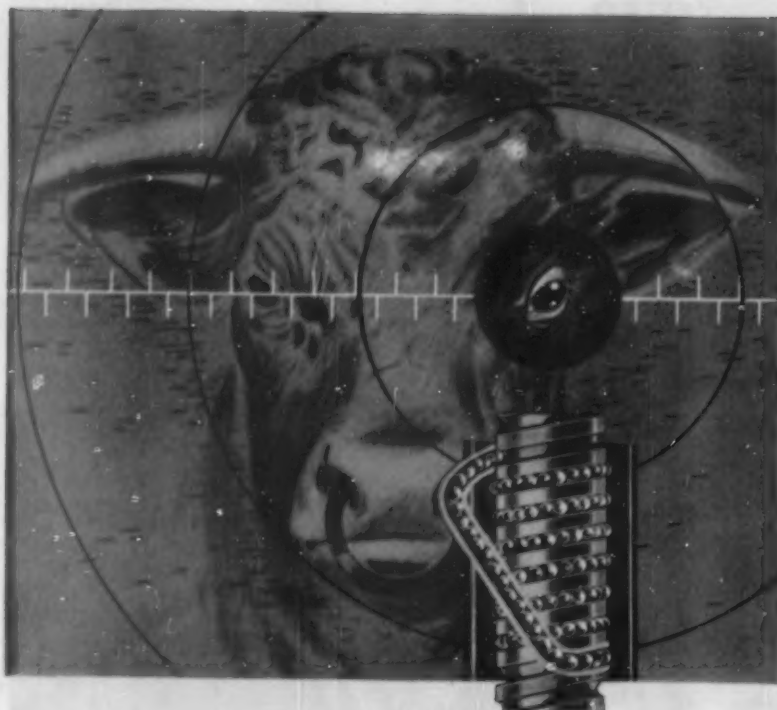
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through experience in the ranks, know the mass market. Second, there's less fluctuation in the consumer goods companies; they can generate more capital internally through steady profit growth—and so are not forced to relinquish control to outsiders for financial reasons. Capital goods industries, traditionally cyclical, have to depend on outside sources of funds to a greater extent—and hence often have to give up a larger measure of inside-control.

But today more and more companies, once wholly in capital goods, are entering the consumer fields. And in these companies, too, control may shift to insiders—the men with specialized knowledge of complex markets.

MANAGEMENT BRIEFS

Eastman Kodak employees will get a \$32-million bonus this year. The company announced this week that about 51,000 workers who have been on the payroll since Oct. 1 will get a "wage dividend" of \$30.20 for each \$1,000 earned from 1951-55.

The evils of business gift giving were the subject of a Boeing Airplane Co. directive to suppliers last week. Said Boeing's memo: "The company selects its suppliers solely on the basis of merit." In other words, no bribes, please. No Boeing employees will be allowed to accept such gifts.

For \$2.3-million, Thompson Industries, Inc., Indianapolis maker of auto and appliance stampings, this week bought Martin Electric Co., a Detroit welding equipment maker. Thompson—which is 56% controlled by Sheraton Corp. of America, a hotel chain—has annual sales of about \$14-million with net profit running at about \$750,000. Martin's earnings will add \$350,000.

Oil and gas exploration is gaining popularity with companies as a hedge for income sources. This week, Distillers Corp.-Seagrams, Ltd., Canadian whiskey producer that went into oil and gas two years ago, reported that its total investment in such properties is now \$15.5-million. And, says Pres. Samuel Bronfman, the company will invest another \$12-million to \$15-million more by next July. The company already has leased about 146,000 acres in Oklahoma, Louisiana, and Kansas.

Shareholders of Diamond T Motor Car Co., Chicago, will be asked to approve purchase of the company's assets by White Motor Co., Cleveland. The rumored price is \$8.5-million. If the deal clicks, White's assets will be near \$115-million.



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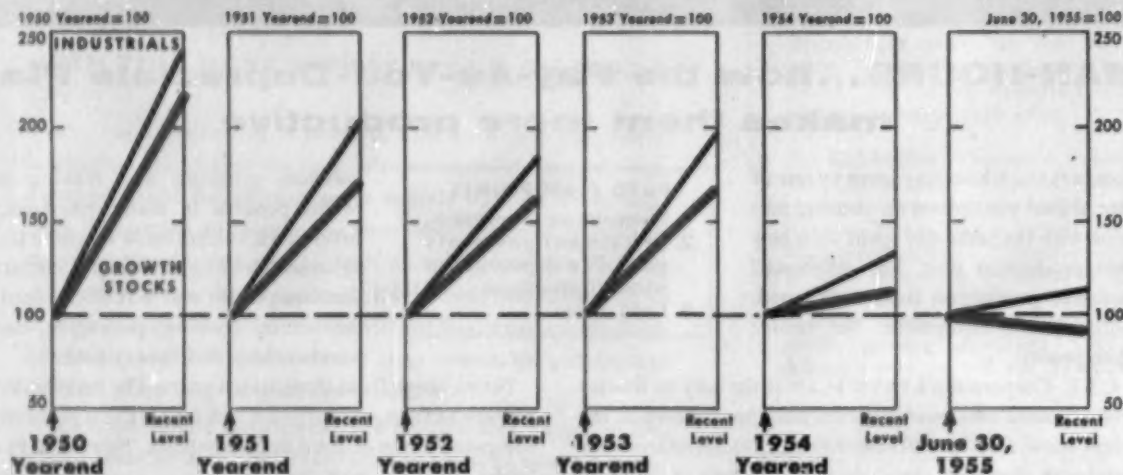
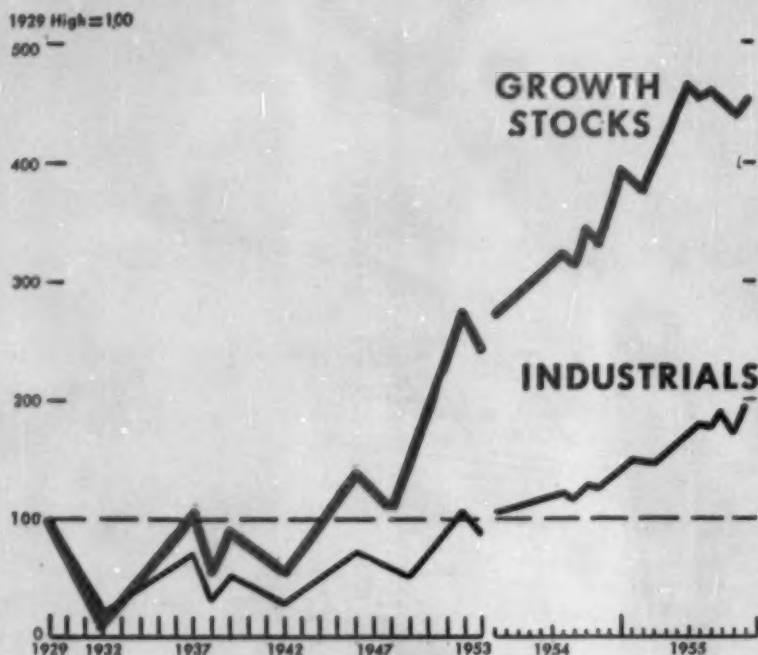
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Data: Moody's Growth Stock Average; Standard & Poor's 50 Industrial Stock Daily Price Index.

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Investing for the Long Haul

Growth stocks are the investor's best friend, as everybody in Wall Street will tell you.

The only startling thing about the opinion is that it's unanimous, in a market world where every expert normally disagrees with his neighbors and changes his own taste in stocks even

faster than women's fashions change.

Just bring up the subject of long-term investment, and the strident cackle of dissent turns into a purr of accord. To a man, the magi of the Street will tell you to sink a major hunk of your money in growth stocks, if you want to build up a nestegg. They'll

admit that you might have more excitement gunning for a killing among the speculative favorites of the moment.

But if you want to sleep nights, and end up with maximum gains, stick to the growth stocks.

For supporting data, the Street turns



Emmett Heitler, General Manager of Shwayder Brothers, Inc., Luggage Division, standing before a small part of a day's production of Ultralite Samsonite luggage.

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it's just an issue whose earnings
have risen over a period
of years . . ."*

GROWTH STOCKS starts on p. 134

to both the average and the performance of individual shares.

• **The Averages**—Take a look at the upper chart, showing Moody's average of 20 growth stocks over a quarter of a century. Today the average is 355% above the peak it hit in gaudy 1929. That gain is about 3½ times the one shown by Standard & Poor's daily industrial stock index, whose 50 components include many top-favorite blue chips.

Individual growth stocks show even more sensational gains, as the Street never tires of mentioning:

Sears, Roebuck stock bought for \$5,700 in 1906 is now worth over \$900,000.

Alcoa sold for \$470 a share in 1923; the investment has grown into a packet of securities worth \$9,000.

B. F. Goodrich shows a 1939 investment of \$1,000 now swollen to \$43,000.

Weyerhaeuser Timber, in the same stretch, would have converted \$1,000 into \$22,000.

• **And What Is It**—There are varying definitions of just what constitutes a growth stock. To some woolly lambs in the market, it's just an issue whose earnings have risen over a period of years. This idea is only true in the broadest sense. Actually, rising earnings are no guarantee of a legitimate growth situation, especially in such times of prosperity as the past decade. Factors other than earnings have to be considered: the record of a company's management in bad times as well as good times, the long-term outlook of the particular trade, the soundness of the company's financial structure.

Moody's definition of a growth stock is a good one: "a stock whose long-term . . . (two or more stock market and business cycles) . . . trends of earnings, dividends, and market prices slant upwards at a pitch greater than the corresponding trend of the industrial stock averages." Moody points out that when an issue fits these requirements it "connotes a favorable combination of the type of business and the type of management which produces superior results"—a basic characteristic of the true growth stock.

• **No Guarantee**—For all their virtues, growth stocks present no guarantee of automatic investment success, though a mass of ill-founded belief says that they

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do. Just like any other stock, they have to be picked and timed carefully, and then watched with a mother-hen eye. That's because their proved potential for capital appreciation is partly balanced by certain rarely mentioned faults.

For one thing, the prices of growth stocks don't always advance. And in rough times, they can fall off the cliff, though they do tend to hold up better than the market generally. As examples of how far they can fall: In mid-1932, Moody's growth stock yardstick was 84% below its 1929 peak, and in the 1937-1938 bear market it divided a frightening 42%.

Apart from these dire possibilities, you have to remember that the real payoff on growth stocks comes through long-term holding, and not as short- or even medium-term investments. Most growth stocks sell at abnormally high price-earnings ratios. Cash dividends are usually kept low, with the bulk of earnings being plowed back into the business.

Thus their holders must resign themselves for some time to fantastically low yields.

Despite this, growth stock prices will rise in a bull market, but they remain less attractive than other shares for the short haul, as you can see in the lower tier of charts.

• **Fallen by the Wayside**—Even for the long haul, you can't tuck your growth stocks away and wait for nature to take its upward course. Street history tells of many growth stocks that have withered, along with those that have flourished.

Radio Corp. of America is a classic example. It was sensationally popular as a growth stock in the roaring 1920s, but has never rewarded the faithful of those days. RCA shot up to \$114.75 a share in 1929; today, it's moping at \$46.

There are other sad tales of growth stocks that shrank:

Abbott Laboratories in 1952 was 42% above its 1946 high; now it's 36% below that peak of three years ago, and 10% below the 1946 mark.

J. I. Case climbed 43% between 1946 and 1951, only to drop today to 62% below the 1951 peak, and 40% below the 1946 high.

Celanese Corp. in 1951 achieved a point 71% above its 1946 high, but now languishes 65% under the 1951 peak, and 40% above the 1946 mark.

Coca-Cola Co. has never been able to regain its 1946 peak, and is now about 36% below it.

Many investors, snuffing about to find the trades best suited for growth stocks, turn to the newer lines of business, especially ones ballyhooed as due for tremendous expansion. Of late years, this has swung the spotlight onto such groups as electronics, miracle

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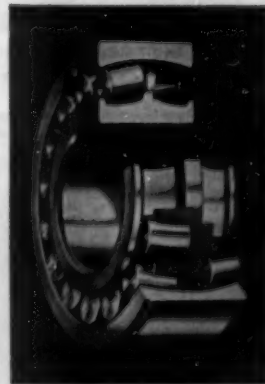
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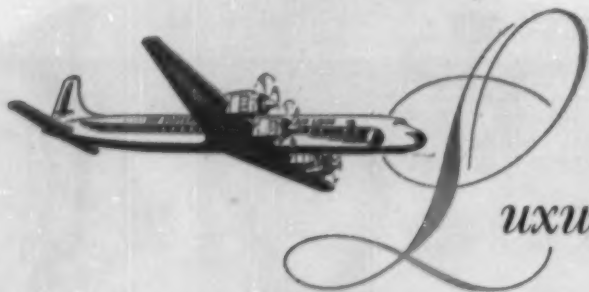
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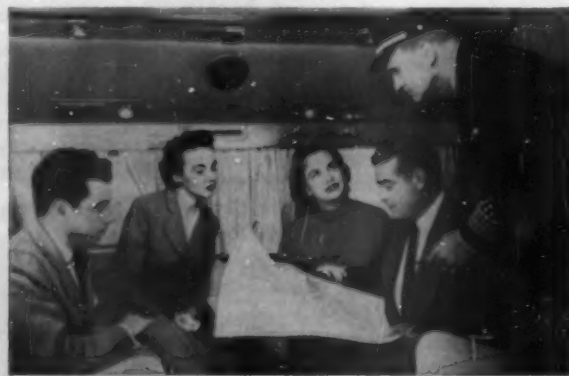
"MYLAR," laminated to a perforated backing, gives illusions of open sky to lounge and cabin ceilings in the "Golden Falcon."



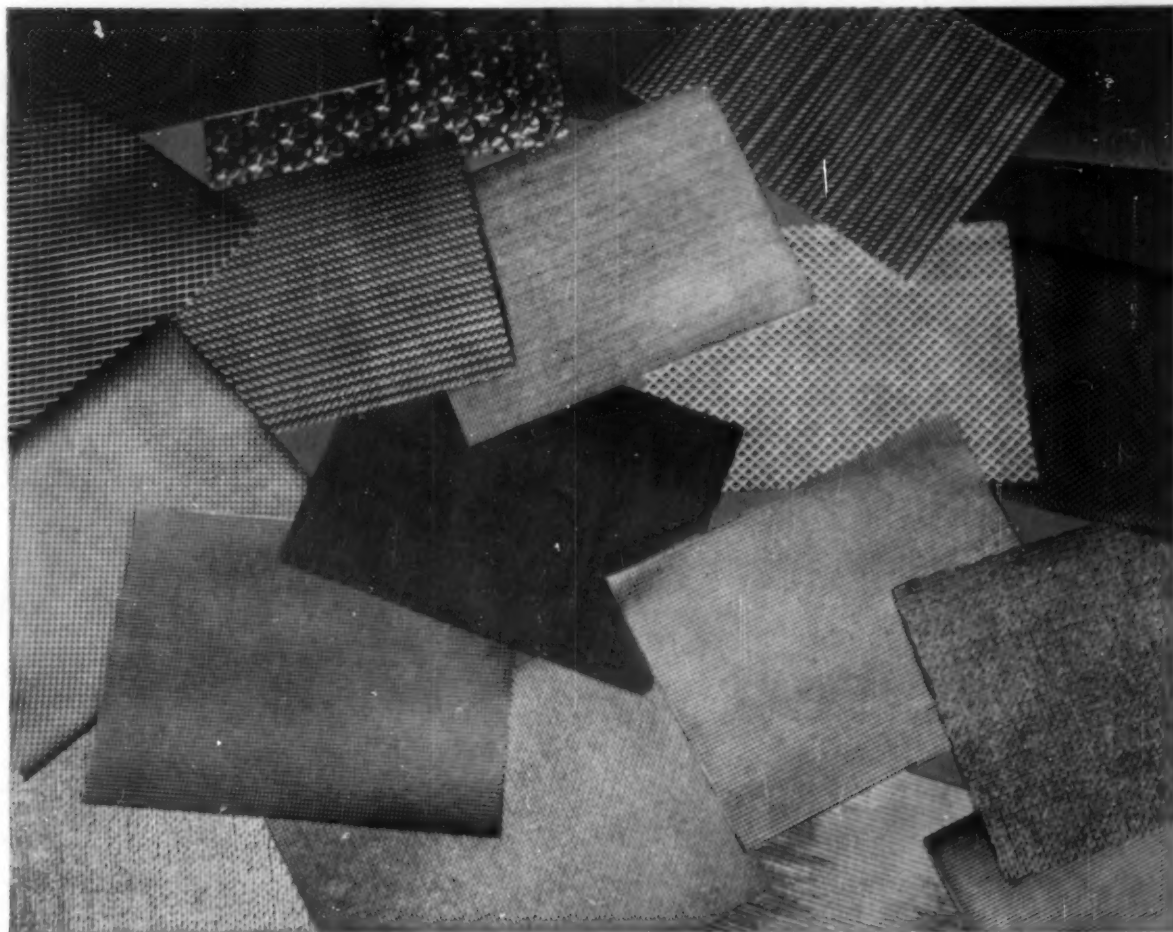
SCUFF PLATES throughout the plane use a silver sheet of durable metalized "Mylar"; this new material will not tarnish or embrittle.



BULKHEAD PANELS employ a sheet of gold "Mylar" laminated to rigid backing, which lends striking depth and sheen to cabin area.



VALANCES use decorative "Mylar" film that's smart, practical. Lighting troughs of metalized "Mylar" disperse light evenly.



New beauty...economy in decorative surfacing materials made possible by strongest plastic film



Decorative materials surfaced with Du Pont metalized "Mylar" polyester film highlights interior décor of Eastern Airlines' new fifty-million-dollar fleet of "Golden Falcons." This thin, re-

markably strong transparent film—metalized in silver and gold—gives a dramatic new beauty and luxury look to ceilings, bulkheads, valances, seat frames, scuff plates and handrails.

Bonded to a backing material then embossed, metalized Du Pont "Mylar" can be used to create unusual styling effects in a wide range of colors. This decorative surfacing

material has high abrasion resistance, is stainproof and wipes clean without smearing. The material also cuts costs in production . . . it's easily installed and can be shaped smoothly around corners and edges.

Metalized "Mylar" is also being used for interior trim in late-model cars. Other applications include leather goods, book covers, kitchen appliances, and apparel accessories.

How about your product? Interested in finding out how these decorative yet practical effects can help increase its over-all value? Mail the coupon today for swatches of laminations surfaced with "Mylar," and the names of manufacturers who sell the finished metalized material.

DU PONT MYLAR®
POLYESTER FILM



BETTER THINGS FOR BETTER LIVING . . . THROUGH CHEMISTRY

E. I. du Pont de Nemours & Co. (Inc.)
Film Department, Room 11B, Nemours Bldg., Wilmington, Del.

Please send me further information on Du Pont "Mylar" polyester film, including samples of metalized decorative surfacing materials with names of manufacturers.

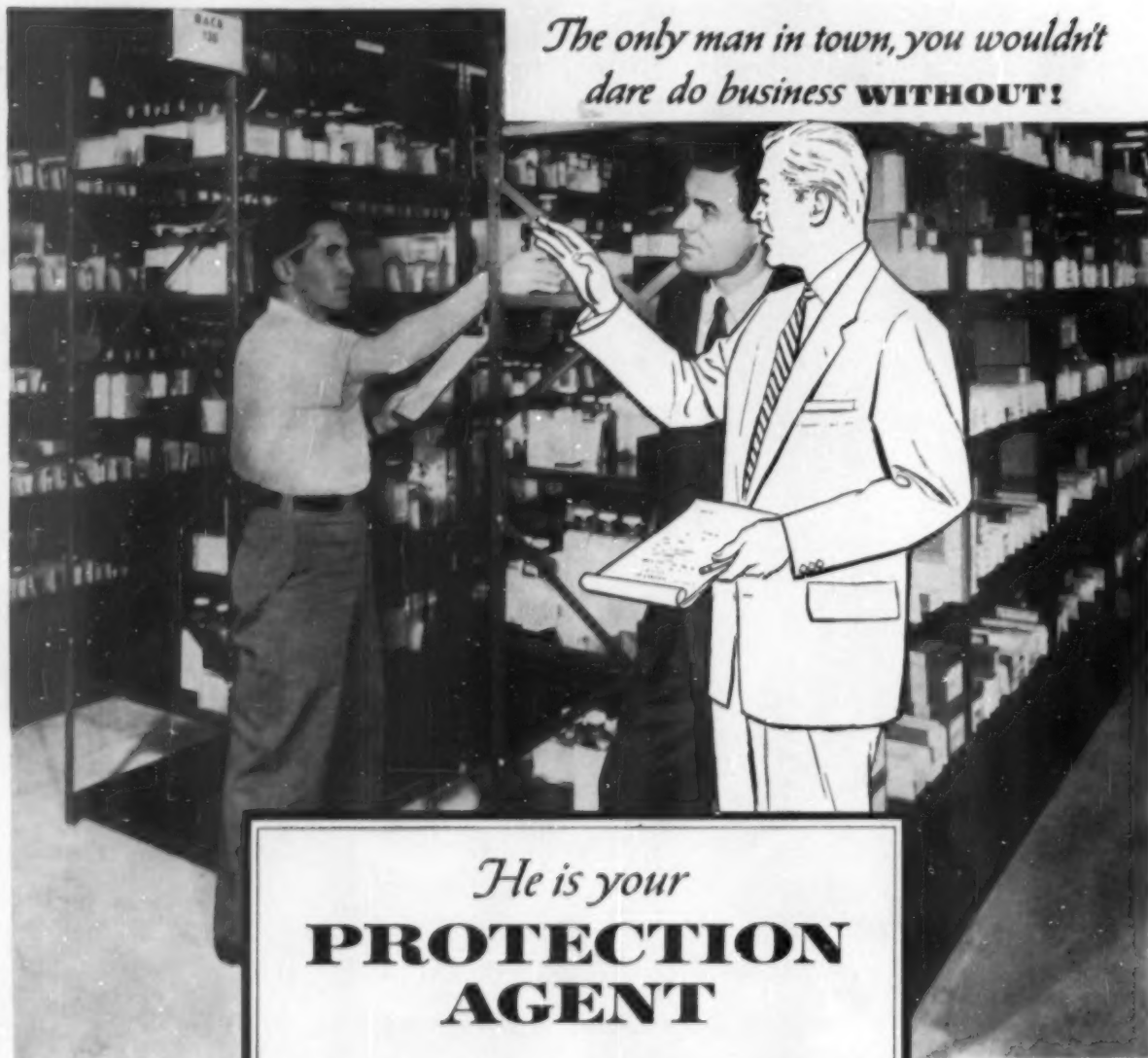
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Company

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AGENT**

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Then he writes up a policy or policies, placing them for you with an insurance company or group of companies. He has the knowledge to select companies (a) with ample resources to repay you for any loss, and (b) with a known reputation for prompt payment of claims.

He's impartial. The National Protection Agent *is under no obligation*

to insure you with the companies constituting the National of Hartford Group. Thus, any time he selects National, it means he really believes National will best serve *your interests.*

For impartial counsel in obtaining protection, let us put you in touch with the National Protection Agent in your community. *Don't do business without him!*



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"... management flaws have been the downfall of more once-promising growth shares ..."

GROWTH STOCKS starts on p. 134

drugs, plastics, jet propulsion, air transport, and aircraft. At the moment, anything connected with atomic potentialities is a prime favorite.

• **The Record Says No**—Historically, this quest for newness doesn't show up very well. Far more Buck Rogers type companies have been flops than successes. New industries have always had a very high mortality rate, as you can see from the early records of the radio and auto trades.

The airlines illustrate another hazard that's built into new trades. Air transportation has expanded sensationally since World War II, yet almost all the airline shares are selling way below the peaks they achieved in 1946 when they were being touted as the No. 1 growth group.

Huge capital requirements for new equipment dragged them down, along with other fiscal problems that bother trades just emerging from swaddling clothes.

• **The Oldsters**—Plenty of good growth stocks can be found among old-line companies in prosaic trades. Such companies have over the years cemented themselves firmly into the economy, while sharply enlarging their long-term profit potential by:

- Using a maximum of earnings to widen and bolster their established product lines.

- Expanding research to improve old products and find profitable new lines.

- Expanding old lines and adding new or allied lines via mergers or purchases of other companies.

The record books show another strength of many old time companies, stressing the basic soundness of the financial policies that management has followed, and their knack of seeing that the company is always well prepared to weather sudden economic storms. This sort of strength should never be overlooked when you're picking up a growth stock. Management flaws have been the downfall of more once-promising growth shares than any other factors.

So keep your eye on the records of management, both before and after you buy a growth stock. Perhaps you'll be able to spot one of those happy successes that keeps its growth status long after its industry has completely matured. **END**



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Crackdown on Tax-Free Funds

The Internal Revenue Service was already taking a harder look at them. Now the Administration wants a full-disclosure law for foundations.

Periodically for the past 40 years, the privileges accorded to tax-exempt foundations have come under fire from one direction or another.

This week, the heat went on again. The Eisenhower Administration decided to ask Congress for a law that will lay open to public inspection the applications for tax-exempt status that are filed by foundations and similar organizations.

Officials think that a lot of groups already holding exemptions will surrender them rather than make public the intimate details of their financing and their day-to-day operations. They also hope that the spotlight of such publicity will discourage the formation of new groups of dubious public value.

• Other Moves—The Administration's request for legislation is only one of three moves to uproot the tax exemptions of borderline philanthropies. The Treasury Dept. is also (1) getting tougher under present regulations and (2) drawing up new, stricter, more explicit regulations, which may be ready early next year.

• Congressional Probes—The legislative proposal goes further than Congressional investigating committees in recent years have suggested, and its reception in Congress is still uncertain.

Special House committees were set up in 1952 and again in 1954 to look into the whole question of foundations. The 1952 investigation was conducted by Rep. E. E. Cox of Georgia and, after his death, Rep. Brooks Hays of Arkansas. Its report found substantially that foundations contribute to the national welfare and should be encouraged.

The committee's chief recommendation was for public disclosure of all grants made by tax-exempt groups "so that the public will be in a position to determine whether tax-exempt moneys are being used for the purposes for which these organizations were created." The committee didn't go so far as to recommend full disclosure of donors, as the Administration now does.

This week Hays said: "I haven't seen any details of what the Administration wants, but the general idea sounds all right to me. I do think we're going to have to do something about this problem soon."

The 1954 investigation, headed by ultra-conservative Republican B. Carroll Reece of Tennessee, bogged down

in controversy. Reece accused liberal Democrats of sabotaging the inquiry; they accused him of unfair, high-handed tactics as chairman.

• Reason for Law—The Treasury Dept. recognizes the possibility that a few worthy organizations might be hurt by a public disclosure law. Some donors, for example, might not be willing to continue their gifts without assurance of anonymity. However, Treasury officials feel that the public will gain far more than it loses.

Treasury Under Secy. H. Chapman Rose quotes Secy. George M. Humphrey as saying, "Inasmuch as the basic reason for exempting these organizations from tax is that they serve a public rather than a private purpose, it is entirely proper that their applications be available for public inspection."

At this point, no one knows how much new revenue might come from a campaign to force borderline foundations to pay taxes or shut up shop. But an Internal Revenue Service official says: "This will help keep the holy ones pure, and assure the taxpayer that he's getting a fair shake. We're convinced that most of the casualties will be outfits that have no real exemption rights anyway."

• Hard to Enforce—Present rules are hard to enforce, both because there are so many exemption-claiming groups and because the regulations are so loosely drawn.

There are well over 100,000 tax-free groups in the U. S. today, if you count the churches, farm co-ops, and similar institutions. Internal Revenue's eye is aimed chiefly at 32,000 or more groups that fall into classification as "fund" or "foundation" or "association." Publicly, IRS maintains that the weeding-out process is merely continuing. Privately, officials acknowledge that it's more intense nowadays and that they plan to get even tougher.

• Leave Canceled—Recently, IRS withdrew exemption privileges from two controversial groups at opposite ends of the political spectrum: the American Institute of Pacific Relations and For America (BW—Nov. 5 '55, p. 70). The \$15-million Fund for the Republic, which draws support from the Ford Foundation, is under scrutiny of IRS at the moment, with its exemption in jeopardy.

The two cancellations reflect a finding of the 1952 House investigating

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(CELLULOSE PROPIONATE PLASTIC)

High Performance Thermoplastic Molding Material with Outstanding Range of Balanced Properties... Available in Choice of Colors and Formulations

Forticel is not a new plastic. It was first introduced on a semi-works basis a number of years ago by Celanese Corporation of America, and quickly won a favored position among thermoplastic molding materials. Its unique combination of great strength with form retention literally dictated its use in such standard consumer applications as the telephone set in black or colored, appliance housings, the fountain pen and other end uses subject to personal contact.

AN OVERNIGHT REPUTATION. Applications like these quickly put Forticel in the forefront position among thermoplastic molding materials. Forticel had the qualities needed by molder and manufacturer. In addition to its toughness and dimensional stability, this cellulosic plastic possesses unusual weatherability, surface beauty and permanence, color, and, perhaps as important as anything else, Forticel is free of objectionable odor.

A MOLDER'S PLASTIC. In molding performance, Forticel is outstanding. Flow temperatures are not as critical... welds are stronger... surface details of molded parts are superb... flash lines are all but invisible... molded surfaces are lustrous, and require little or no buffing or polishing... molded-in metal inserts hold firmly.

A FABRICATOR'S PLASTIC. Forticel also machines well. It can be sawed, cut, drilled, threaded and punched with far less danger of stress lines and crazing. This machinability is of vital importance in such applications as fountain pens and mechanical pencils, toothbrush handles and scale model trains, and appliance housings.

FIRST PRODUCTION OF FORTICEL STOPPED. When originally introduced, Forticel was produced in a pilot plant operation. And, because of the difficulty of obtaining raw materials of acceptable quality and cost, commercial production was delayed until such a time as raw materials could be produced in volume—at a price that would insure a competitive position for Forticel.

PRODUCTION OF THE NEW FORTICEL BEGUN. After continued development, the new Forticel is currently moving into full scale production. More important to molder and manufacturer is the news that the raw materials of Forticel are Celanese produced—and in volume!

NEW FACILITIES FOR FORTICEL. To be certain that the supply of Forticel raw materials will be adequate to meet the anticipated demand for this outstanding plastic, Celanese has installed new facilities for their production. This will insure a dependable source of supply. These facilities will produce Propionic Acid and other petrochemicals necessary to Forticel manufacture.

THE NEW FORTICEL. What about the new Forticel? What is it like? What makes it the right plastic for appliance housings, automotive steering wheels, accessories, scale models, sunglass frames, fountain pens, etc.? In the first place, today's Forticel is an even better plastic than its predecessor. This is the result of continued research into the development of new plasticizers, and improvements in processing.

A cellulosic, Forticel has natural impact strength or toughness. This is combined with a fine balance of desirable properties including, form retention, low mold shrinkage, weatherability and surface hardness. The new Forticel is available in a full color range, and supplied in uniform pellet size. Sample quantities are available for evaluation. The New Product Bulletin, NP-16 is ready for distribution. This bulletin covers the complete Forticel story from chemical and physical properties to molding and fabricating.

Celanese Corporation of America, Plastics Division, Dept. 129-K, 290 Ferry Street, Newark 5, N. J. Canadian affiliate, Canadian Chemical Company, Limited, Montreal, Toronto and Vancouver.

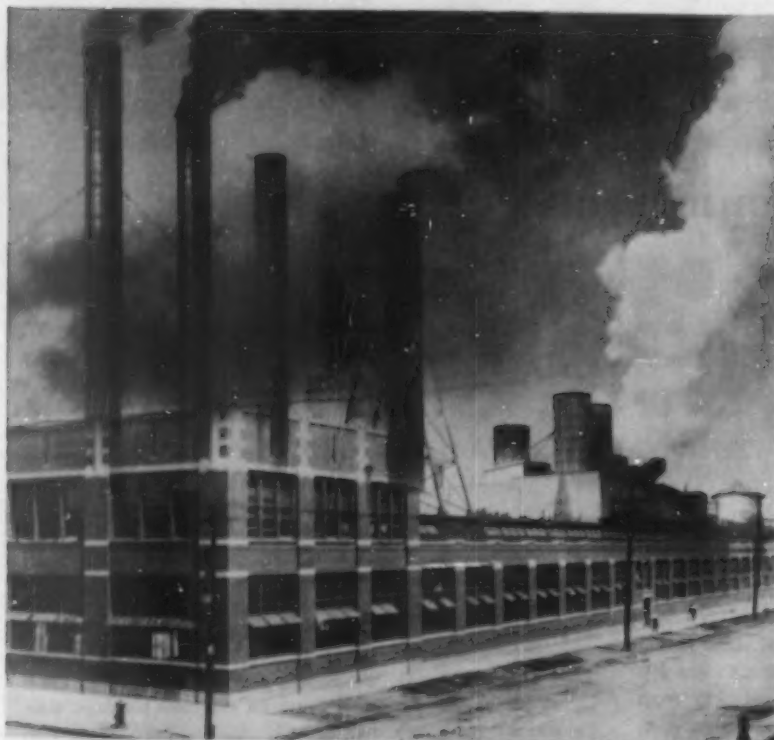
*Reg. U. S. Pat. Off.

Celanese*

PLASTICS

Typical Physical Properties of Forticel

Flow temperature . . . ("C.) (A.S.T.M.) . . .	D649-43	167-178
Specific gravity	D176-42T	1.18-1.21
Tensile properties: Yield (p.s.i.)	D638-52T	3300-5020
Break (p.s.i.)	D638-52T	2470-3240
Elongation (%)	D638-52T	56-66
Flexural properties: Flexural strength . .		
(p.s.i. at break)	D770-49T	4400-6000
Flexural modulus		
(10 ³ p.s.i.)	D770-49T	0.33-0.36
Rockwell Hardness: (R scale)	D785-51	63-94
Load Impact (ft. lb./in. notch) . .	D256-43T	2.7-11.0
Heat distortion ("C.)	D648-45T	39-70
Water absorption— % Sol. lost	D570-42	0.00-0.06
% Moisture gain	D570-42	1.3-1.8
% Water absorption	D570-42	1.4-1.8



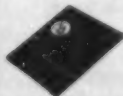
Merging? American Appraisal Service assures equity to all

There are often wide differences of opinion encountered in the valuation of equities in arriving at a sound basis for merger. Factors that should be considered are relative earnings, net current position, dividends, physical assets, franchises, markets, location, management, good will and other intangibles, as well as review of prior handling of capital charges, expenses and depreciation.

The American Appraisal Company offers a disinterested, experienced and authoritative valuation service. Such service may be limited to a valuation of the physical assets or may include giving consideration to all equities involved. American Appraisal Service has furnished the facts or opinions of value for many consolidations. Values established are supported by factual data for management or stockholder consideration. Reports where required are prepared for the allocation of costs to accounts for depreciation and tax purposes.

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committee: "It seems paradoxical that in a previous Congressional investigation [1915] the fear most frequently expressed was that the foundations would prove to be instruments of vested wealth, privilege, and reaction, while today the fear most frequently expressed is that they have become the enemy of the capitalistic system."

The 1952 committee added, "In our opinion, neither of these fears is justified." Yet For America and the Institute of Pacific Relations lost their tax-exempt status because the Internal Revenue Service decided they were "to a substantial extent engaged in the dissemination of controversial and partisan propaganda"—IPR to the left and For America to the right.

The Institute of Pacific Relations had long been in the public eye as a result of senatorial denunciations for an alleged bias to the Communist side. For America was not so well known, but its supporters included some former America Firsters, and its announced dedication to "enlightened nationalism" would make it controversial in today's political atmosphere.

The Fund for the Republic has been embroiled in controversy between its outspoken director, Dr. Robert M. Hutchins, former University of Chicago president, and outgoing American Legion Commander Seaborn P. Collins. The fight started when Collins accused the Fund of putting an "un-American" label on U.S. security measures. The group also gave \$5,000 to a library that employed a woman who had told Congressional investigators it was none of their business whether or not she had been a Communist.

• **New Regulations**—The rules for weighing the worth of a foundation are now loaded with terms but lacking in definitions. In the final analysis, it's up to Internal Revenue experts in each case to decide what is meant by "educational," "propaganda," "exclusively," or "substantial." The new code is being carefully written, within present law, to define these terms.

An idea of the line that's being followed comes out in a conversation with a Revenue Service official:

"We might put a percentage limit on expenditures by a tax-free outfit for political activity within the limit of a 'substantial amount.' For example, we might let an outfit with \$100,000 to spend use \$10,000 of it in this line of activity.

"Or we might try this tack: We might say to these organizations, 'Don't spend any funds for political activity—or any other activity that might conflict with the regulations—without getting prior determination by the Internal Revenue Service on whether it is "substantial" within the meaning of the law.'"

END



984-foot Eiffel Tower — world's third tallest structure — raises its 100-passenger elevators with hydraulic power generated by 15 Worthington Power Pumps (right).

Whose pumps would you expect to find in the Eiffel Tower?

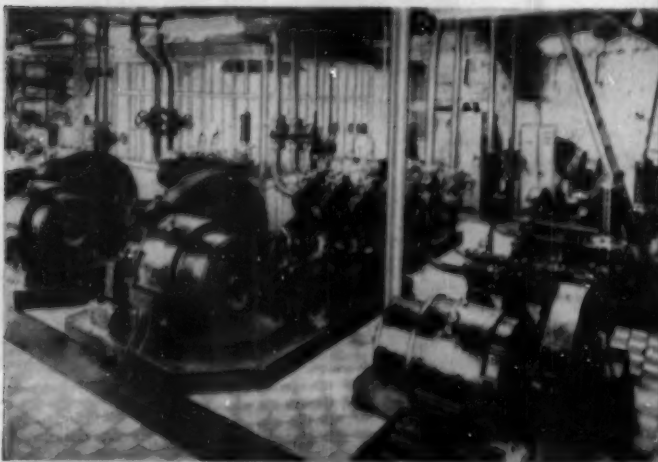
If you said "Worthington's", you know your pumps.

The ones we're talking about power the Eiffel Tower's 100-passenger hydraulic elevators. The original U.S.-built, steam-driven Worthingtons went in back in 1889 when the Tower was built. Since 1900, however, Worthington's Le Bourget plant has supplied pumps for the structure. The most recent additions, modern electric-drive Worthington pumps, moved into the Tower pump room just last year.

Worthington products also live up to expectations in the Americas, Italy, Germany, Spain, Japan — wherever men need top-notch equipment to turn their blueprints into reality. The reason? With offices, plants and service facilities throughout the world, Worthington's famous wings have been world travelers for more than a century. And the products that wear them have earned a reputation for delivering reliable performance when the chips are down.

That's why you'll see the name *Worthington* on so many specifications for pumps, compressors, air-conditioning equipment, turbine-generators, construction equipment and other industrial products. That name on your specifications will make your job easier, too. Worthington Corporation, Section 5.4, Harrison, N.J.

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At four inches above the ground, you can tip the bucket back 38 degrees—heap it full and carry it low. The new MICHIGAN 12B is 20% heavier and more powerful than most machines in its class; you can handle these bonus bucket loads safely and fast. Find out how the new 12B can cut your handling cost-per-ton: write for full information, and be sure to get details on Clark's no-down-payment Lease Plan.

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Benton Harbor 470, Michigan

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FINANCE BRIEFS

Another investigation is just around the corner. The Senate Banking subcommittee headed by Sen. John Sparkman (D-Ala.) will take a look at government credit policies, especially in the mortgage market. Sparkman, citing the effect of higher down payments and shorter maturities on government-backed mortgages on the housing boom, observed that "federal housing officials appear uneasy about their restrictive policies, as indicated by their recent announcement that they are prepared to lift [them] under certain circumstances."

Weyerhaeuser Timber Co., a giant of the construction industry, announced a 4-for-1 stock split last week. Weyerhaeuser, traded over the counter, will split 4-for-1—directors also announced a \$1.50 yearend extra dividend on the stock, which is traded over the counter.

Turnpike turndown: Authorities of West Virginia, North Carolina, and Virginia will hold up plans for a multi-million dollar tri-state expressway. The poor showing of the West Virginia pike (BW-Nov.19'55,p178), has raised doubts about the projected system.

The Pennsylvania RR was granted fast tax write-offs for 85% of the estimated \$9.7-million cost of 2,000 new freight cars. And Rep. Jesse Van Zandt (R-Pa.) says the Office of Defense Mobilization will probably approve write-offs for an additional 1,200 cars.

Delisting hearings for Exchange Buffet Corp. and Atlas Tack Corp. were held last week by the New York Stock Exchange, which seeks to strike those two, plus two other companies, from the Big Board rolls (BW-Oct.29'55,p138). Exchange Buffet officials argued that delisting would ruin the effects of a \$1-million modernization program, which has forced the company to run deficits for two years.

Proxy rule changes proposed by SEC were blasted by the first group of witnesses at open hearings last week. In the wake of the fierce proxy battles of the past two years, SEC proposed stiffer rules on false and misleading information, and on the amount of information to be included in proxy statements (BW-Sep.3'55,p124). Witnesses claimed proposed changes infringing free speech, would impose "tremendous burden" on management.

Oil wells and CinemaScope are neighbors on the 20th Century-Fox movie lot in Hollywood. The studio is getting \$1,000 a day in royalties from seven producing wells on studio property.



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Martin estimates that in 1955 alone it will effect savings of \$60,000 over the method previously employed. This figure includes savings in the related field of organization charts, standard process bulletins, air force and navy specifications, and Manufacturing Division manuals. The big cost reduction, however, is in engineering drawings.

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In Washington

• • •

Conference on School Problems Will Help Draft New Program

The White House Conference on Education, a \$1-million Administration study group (BW—Nov. 12 '55, p. 108), settles down in Washington next week for a four-day discussion of "significant and pressing problems" affecting the nation's schools.

From every state and territory, 1,400 official delegates will wade into an agenda that breaks down roughly into six major divisions:

- What schools should accomplish.
- How to achieve more efficient and more economical systems.
- School buildings needs.
- Financing school program.
- How to get enough good teachers—and keep them.
- Keeping the public interested in education.

At Pres. Eisenhower's request, Congress voted, in July, 1954, \$1-million for planning and holding the session.

The aim is to provide Eisenhower with guidance—for drafting the Administration's school program that will go to Congress next session. Most interest, naturally, will focus on debate about federal responsibility in meeting an estimated \$25-billion need for new schoolrooms over the next decade. As a discussion forum, the conference—which opens Monday in the Sheraton Park Hotel—may be valuable. But it won't settle anything. The outlook is for two reports, majority and minority, on the role Washington should play in getting the classrooms in place.

• • •

AEC Builds Legal Defense Against Dixon-Yates Contract Suit

A well-cooked political hot potato—the Dixon-Yates contract—popped up again, sizzling louder than ever.

The contract for the output of the \$107-million plant was canceled hurriedly by Eisenhower—a few months ago when Memphis, Tenn., decided to build a new plant to supply its own electricity (BW—Jul. 16 '55, p. 29). Since then, Atomic Energy Commission lawyers have been studying the contract to determine if the government is liable for any cancellation costs. The Dixon-Yates concern had already spent something like \$2-million.

AEC lawyers now say there was a violation of the conflict of interest law during negotiations leading up to the signing of the contract. They point to Adolph Wenzell, who attended conferences on the contract while he was a Budget Bureau consultant and also vice-president of First Boston Corp., which later handled Dixon-Yates financing.

For this reason, AEC lawyers think the contract is

"void or voidable"—that there never was a legal contract. Hence the government is not liable for cancellation costs.

If this opinion holds, Dixon-Yates would have to sue to get its money.

When and if the case gets to court, a humdinger of a fight might develop. And there's another feature: A court opinion could well establish the exact point at which, during negotiations leading up to a contract, a conflict of interests on the part of one of those involved can "poison" the contract.

• • •

Scientifically, AD-X2 Is a Flop; Practically, It's a Real Success

AD-X2, the controversial battery rejuvenator, isn't being falsely advertised by its owner, Jess M. Ritchie, a Federal Trade Commissioner examiner ruled last week.

The burden of proof, says Examiner William L. Pack, is on the commission's staff, and the staff didn't produce "the greater weight of evidence to show the product is falsely advertised." Scientific evidence against the product's usefulness outweighed that presented by Ritchie, Pack said, but testimony of users is "overwhelmingly" on the side of AD-X2.

Ritchie has on his side plant superintendents, shop foremen, and chief electricians. The examiner found them, from a practical viewpoint, experts on lead-acid batteries.

The full five-man commission can consider the case further, or let the examiner's ruling stand.

• • •

Rules for Letting Contracts Leaves Pittsburgh Up in Air

Electrical equipment suppliers in the Pittsburgh area can't tell these days what chance they stand to get a government order when their competition is foreign. Reason is that the Interior Dept. and the Army Corps of Engineers—the big generator, turbine, and transformer buyers—are split on ways of purchasing equipment.

Both agencies recognize unemployment in this country as a favorable factor in awarding contracts, but each has a different way of determining how bad unemployment is. Interior Dept. used to accept the Labor Dept.'s determinations as to which U. S. areas were distressed labor areas. Engineers still does this. But recently, when two Interior Dept. transformer contracts were hanging fire, Pennsylvania reported that state unemployment had eased greatly. Interior then gave the contracts to British and Italian companies, although the Labor Dept. still considers Pittsburgh a surplus labor area.

Now Engineers has bids on two new contracts calling for more than \$2-million of equipment. Unlike Interior, Engineers will consider Pittsburgh as a distressed labor area in bid evaluation. Chances are the foreign companies will get the contracts in this case, too—because foreign bids are running about 35% below the Americans', and not because of a lack of preference for the Pittsburgh area.

AERIAL CABLE

NEITHER STORM NOR HEAT NOR CORROSION knocks out ANACONDA's 3-conductor 15kv self-supporting Aerial Cable—shown here at Shell Oil's modern new refinery at Norco, La.

GO UP TO BRING COSTS DOWN

—with Anaconda Aerial Cable

When new power is needed or when old circuits must be replaced quickly and at low cost—more and more plants are turning to ANACONDA Aerial Cable.

In plants where the maze of pipes and other underground structures often make installation of ducts or buried cable costly or difficult. This

cable solves the problem.

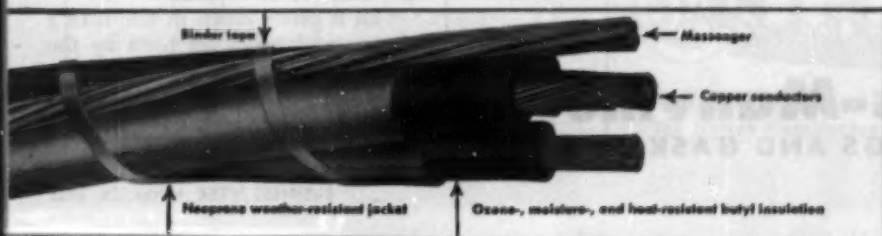
It's fast, easy to install—particularly in crowded areas. No special ducts or crossarms or insulators are needed. Even in open areas, this rugged, neoprene-jacketed cable costs much less than buried systems.

You can see that it is neat. It is

equally safe . . . and reliable!

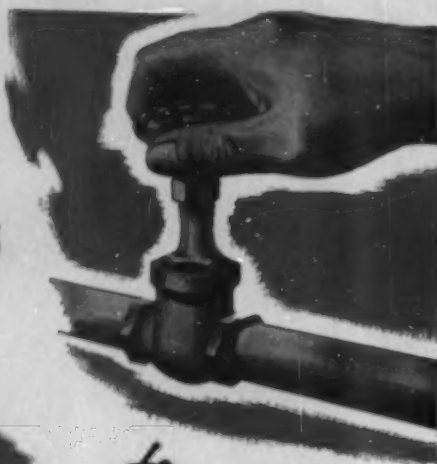
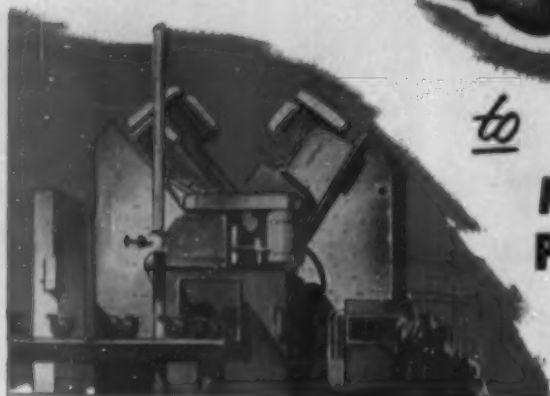
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PACKINGS AND GASKETS

This swings attention to another interesting difference in the way the two agencies operate. When Interior determines an area to have a surplus labor market, it grants bidders there a 12% price break over their foreign competition (BW—Nov. 19'55, p. 74). Engineers still applies the straight 6% differential rule directed by Eisenhower under the Buy American Act.

• • •

**President's Stand Firm
 On Pay-As-You-Go Roads**

Higher taxes on highway users emerged this week as the Administration's probable answer to one of its problems: how to pay for the nationwide network of superhighways it wants to build in the next decade.

After reporting to Eisenhower, Commerce Secy. Sinclair Weeks said that the Administration favors (1) a pay-as-you-build highway plan, and (2) higher taxation on gas, motor oil, tires, and other road-use items.

An Administration turnaround is involved. In effect, Weeks sounded the death knell for the so-called Clay Plan adopted last year by the Administration. The plan proposed an independent corporation to underwrite highway building through issuance of federal revenue bonds.

Controversy will flare again over attempts to put on a new tax bite. But Eisenhower's advisers say he will not compromise.

• • •

**Pentagon Spells Out
 Plant Dispersal Policy**

The Administration's defense plant dispersal policy is spelled out in a new Pentagon directive. Says the Defense Dept.: "To avoid the excessive cost and the resulting social dislocation attendant on the abandonment of existing production facilities, all facilities in being will be maintained in use as required."

This is pretty much in line with a controversial policy set forth by the Air Force earlier this year: Existing production centers will not be disrupted; but new plants must be built outside important target cities.

What's new in MECHANIZATION?



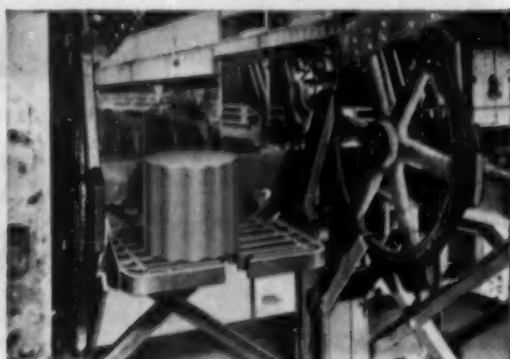
This chain conveyor made tunneling for a storm sewer a lot easier for everyone concerned. No rails to lay. No cars to load and empty, or haul back and forth. The Jeffrey chain conveyor drags the clay away as fast as the men shovel it into the pan. And that's at floor level, so there's less heavy lifting. Thus mechanization relieves labor of another tiring task.



Hungry digesters in pulp mills produce finer paper when wood is torn or shredded into small fibers—not ground or pulverized. Here a Jeffrey vibrating feeder transfers chips from the Jeffrey wood hog, at an orderly and uniform rate, for screening. Over-size chips are returned to a Jeffrey shredder to be reduced to digester size.



How we holler when a sudden storm causes streets to flood momentarily. But how complacently we accept the everyday efficiency of our water and sewage plants, engineered that way by scientific study and planning which anticipate the growth of our cities and towns. Jeffrey sanitation engineers mechanize these plants with equipment like these Jeffrey sludge collectors.



75% saving in handling: Steel ingots at this plant used to be loaded on flat cars at the open hearths and hauled a roundabout mile to the rolling mill. Handling costs were high, delays were frequent, and valuable space had to be allowed for storage. Today these ingots travel on a Jeffrey tray conveyor—up 20 feet, across a 168-foot span, then down again. Transfer time, 1 1/4 minutes. Savings estimated at 75%.

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In Regions

Electric Company Says Dragon Dust Has No Place in Its Modern World

NORTH ADAMS, MASS.—One company's dust, planning officials conceded last week, can be another company's poison.

Dragon Cement Co., with plants in Thomaston, Me., and Northampton, Pa., had taken an option on some 500 acres for a proposed \$100-million cement mill. To many citizens and politicians that seemed just fine—150 new jobs, without even having to coax the company to come in. But Sprague Electric Co. refused to be enchanted.

Sprague, the largest single employer in the city with 3,800 workers, said flatly that Dragon's dust would ruin some of the capacitors it makes. Even the best dust collecting machines wouldn't be foolproof, it said, and it took a firm stand against Dragon in ads, letters, and in public hearings. Last week Robert C. Sprague, the company's board chairman, made it a cold ultimatum: The minute Dragon got zoning approval, Sprague would begin plans for relocating its capacitor production.

In a 4½-hr. session, the planning board apparently took Sprague seriously. "The board cannot say," its statement ran, "that a modern cement plant would be detrimental." But it said because of the pressure it could not recommend rezoning for the mill. The guess is that the city council will uphold the board when it meets early next year—and that Dragon is out.

Nine States to Simplify Licensing of Trucks

DENVER—Starting Jan. 1, nine Western states are going to try a new system of truck licensing—one they hope will take some of the expense, and frustration, out of truckers' lives. It's no secret the states are banking on it to head off any moves for a federal take-over of the registration job.

For years, interstate truckers have griped about the cost and fuss that stems from having to register each and every truck in each and every state in which their company operates. The new system, a pool arrangement, aims at a much simpler setup. Under it, a trucker will have to register in each state only enough of his trucks to compensate for the mileage his company expects to rack up in the state. Thus one state license plate, and a tab indicating membership in the pooling plan, will carry the truck through all nine states participating in the compact.

The states, which have finally approved the plan after five years of discussion, are Colorado, New Mexico, California, Nevada, Oregon, Washington, Idaho, Montana, and Kansas.

Contractors Howl as School Boards Enforce Penalties on Tardy Work

SALT LAKE CITY—The school board and the construction industry locked horns last week over a move to enforce penalties for tardy school construction.



Dodge selects Enjay Butyl rubber for big rear-window weatherstrip

Super-durable Enjay Butyl fits perfectly Dodge's rigid specifications for its rear-window weatherstrip. Under the toughest conditions of weather and use, Enjay Butyl parts stay like new, help add style and color to new cars. In fact, some automobiles have more than 100 parts made of this fabulous rubber.

The many advantages of Enjay Butyl make it the almost perfect rubber for the automotive industry. Its price and ready availability are advantages, too. And it is now available in non-staining grades for *white* and *light-colored* parts. For full information and for skilled technical assistance in the uses of Enjay Butyl, contact the Enjay Company at either of the addresses below.



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TI, the nation's leading user and manufacturer of advanced seismic equipment—through its subsidiaries, Geophysical Service Inc. and Houston Technical Laboratories—has developed *Seismation* . . . the application of automatic data handling techniques to the gathering and processing of geophysical information.

Working closely with the petroleum industry, HTL and GSI have launched and are using the new *Seismation* concept in global exploration for oil. With the rapid increase in oil wells needed, *Seismation* is destined to contribute as greatly to the oil industry as Automation will to the industrial production lines of America.

Another of TI's many growth factors: Semiconductor products already are making electronic products smaller and better. Texas Instruments is the leading manufacturer of germanium transistors and exclusive commercial manufacturer of high temperature silicon transistors.

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keep an eye on TI

TEXAS INSTRUMENTS

INCORPORATED

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Contractors on nine school building jobs failed to meet the deadline set on completion dates this fall. The school board immediately announced that it wanted a \$100-a-day penalty for jobs not finished on schedule. The penalty is provided in contracts between builders and the board.

Contractors, faced with giving up thousands of dollars on many of the jobs, set up a howl. The Utah Construction Industry Council, an organization made up of 17 segments of the building industry, asked the board to waive the penalties this year. Argued the contractors: You've never collected penalties in the past; builders should have been warned in advance that the policy was to be changed.

Said the school board: Contractors know what's in their contracts; adherence to them shouldn't be a surprise. The penalties are needed to prevent some contractors from taking on jobs they know they can't finish.

At this point, the fight has been put over until a special public meeting sometime next month. By then, the school board hopes, "some of the jobs that were to have been done in September will be finished so we'll know just where we stand."

• • •

Regions Briefs

New port authorities: Maryland will consider one for Baltimore at a special legislative session early next year. A five-man autonomous body, the authority would have broad powers, would be financed eventually from toll bridges and tunnel revenues. . . . Toledo voters gave a two-to-one approval to theirs—the newly formed Toledo-Lucas County Port Authority—by approving a .544-mill levy to get it started on a port facilities study.

Truckers lost again—in both Ohio and West Virginia—in their running fight to keep Ohio from collecting its axle-mile tax (BW—Nov. 5 '55, p150). Higher courts in both states upheld rulings that clear the way for Ohio to resume collection.

Chrysler's big stamping plant—the one Macedonia, Ohio, had and lost (BW—Nov. 19 '55, p140)—is now slated for Twinsburg, Ohio. The new site is about 2 mi. east of the original one.

BUSINESS IN MOTION

To our Colleagues in American Business...

Last year a famous manufacturer of domestic refrigerators decided that an automatic juice dispenser would be a desirable feature for special models of its 1955 line. It was known that in many homes two kinds of concentrate are regularly stocked in the refrigerator. One is orange, the other may be lemon, lime, or some other juice. Two containers for concentrate were therefore required, size one pint each, plus a two-quart water tank, with appropriate connections with the household water system, and a metering mixing valve. Thus it would be possible for the housewife, or her children, to push a button or otherwise operate the valve, and obtain juice properly mixed with the correct amount of chilled water.

As is always the case with any good new idea, reducing it to practicality required a lot of hard work. The mixing valve was readily obtainable from a valve specialist. Unexpectedly, difficulties arose in connection with the water tank. This is made of red brass, 85/15. Two almost identical one-quart cups are drawn from soft strip, the seam brazed, the necessary water connections brazed in, and the outside tinned.

This would seem to be a simple operation, but Revere was told that there was too much breaking and tearing of the brass in drawing. Although at that time we were not supplying the brass, we were glad to work with the firm which had the tank contract. The Revere Research Department reported that the

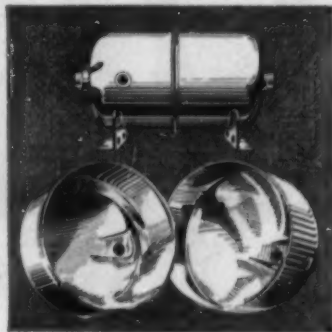
grain size of the unsatisfactory metal varied between .035 and .050 mm., and that holding the size closely to .050 mm. would cure the difficulty. In addition, suggestions were made as to die design, and die lubricants. Revere also was asked the reason for defects in brazing. This became another project for Revere Research, which sent a man to the plant to study the methods used. After some special work in the laboratory at Rome, N. Y., it was found possible to make a successful adjustment of conventional brazing

methods to the ones the fabricator wished to use. Still further, Revere's Methods Department recommended changes in the beading operation, ending breaking there. A Call Report written at the end of all this work states that the customer "is very enthusiastic in his praise."

Refrigerators with this new and enticing feature entered the market on schedule last spring. No premium was charged by Revere for the metal required,

nor was there a fee for our collaboration, which we render as a part of our service to American industry.

Manufacturers in a great many lines develop new ideas and new products constantly, as a part of the competitive process. If you encounter problems when you try to put something new into production, why not call in your suppliers? They know their materials, whether they be metals or plastics, glass, wood or whatever. Their knowledge added to yours can be worth a lot, yet it is free.



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ditions, development of new products, or additional requirements for plant expansions.

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

NOV. 26, 1955

A BUSINESS WEEK

SERVICE

There is more than meets the eye in the Bulganin-Khrushchev visit to India. The two top Soviet leaders are spending a month in South Asia.

It's not just the usual Soviet propaganda operation. It's part of the Soviet leaders' new program to pull India away from neutrality into the Russian camp.

With India in the bag, Moscow figures, all Asia would be theirs.

Bulganin and Khrushchev don't expect to win India overnight. They are simply laying the groundwork—by harping on two things:

- India's need to look to Moscow for protection. In addressing the Indian parliament the Soviet leaders took the line that Moscow has a monopoly on peace, that Washington thinks in terms of war. In short, they told India that Indian neutrality isn't enough to assure peace.

- India's need to follow the Soviet example in industrialization. Both Bulganin and Khrushchev argue that this is the only way a country like India can do the job in a hurry. And they said they were prepared to share their experience "in the construction of industrial enterprises, electric power stations, hydroprojects, and the utilization of atomic energy for peaceful purposes."

It is not clear yet just how the Russians will contribute their help. Probably they will lend their technicians, with India providing the pay, but give their processes (many stolen from the West) free of royalty fees.

Financial aid probably won't amount to much. It's expected to come in the form of easy credit terms for Soviet equipment.

But Soviet strategy is clear enough. By injecting themselves into Indian economic development just as Nehru is about to start his second five-year plan, Moscow hopes to push Indian planners into more and more state capitalism.

Then, Soviet advice will be to speed the industrial pace beyond India's means. That also would help set the stage for totalitarian economic controls.

In effect, Moscow plans to use the Trojan horse technique in India.

Bulganin and Khrushchev seem to have won some political dividends already.

Under the emotional impact of their visit, many Indians have suddenly realized that they share the Asian continent with Russia as well as China. Indians also were impressed by the visitors' piercing of what had been the Himalayan frontier—the Soviet leaders flew from Tashkent to New Delhi in six hours.

But Bulganin and Khrushchev may have overplayed their hand in their digs at the West. This will strengthen powerful Indian groups who feel that Nehru for some time has been leaning too far toward Moscow.

Nehru's tightrope, in fact, is getting dangerously thin.

Soon he will have to decide whether he wants to lean basically on the West, or on Russia, for help with his new five-year plan.

Nehru has been hoping to get the U. S., Britain, and Western Europe to

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

NOV. 26, 1955

put about \$2-billion into the plan. And a few projects in India, like the Soviet-built steel mill now in the works, wouldn't ruin his chances for that.

The West will soon lose interest, though, if he goes all out for Soviet help.

India's biggest steel firm, Tata Iron & Steel Co., isn't waiting for Nehru to make up his mind. Tata has just signed a contract with the Kaiser Engineers Division of Henry J. Kaiser Co. to handle a \$130-million expansion of its Jamshedpur works.

Kaiser's job is to design and construct integrated facilities that will boost Tata's production from about 1.3-million long tons a year. Procurement of the equipment is in Kaiser's hands, too.

American suppliers seem to have the inside track for the equipment contracts. Kaiser and Tata have been dickering with the Export-Import Bank for a \$60-million to \$65-million loan to cover this part of the cost.

Another U. S. company will soon be operating in the Middle East and South Asia—the area Moscow is threatening to penetrate economically.

This week the Yemen Development Corp. announced plans to explore and develop a thirty-year concession for oil and mineral rights that it has just obtained in Yemen—a tiny Arab kingdom on the eastern shore of the Red Sea just north of Aden. The concession, the first granted to Americans in Yemen, covers a large part of the country. But there are other foreign concessions, including one held by a German oil group.

Yemen Development Corp., which is capitalized at \$20-million, is headed by George E. Allen, White House intimate, and Walter F. Gabler, another old Washington hand. New York's Empire Trust Co., which has strong connections with Texas independent oil firms, is in on the deal.

Harry Ferguson is ready to demonstrate a whole new range of vehicles.

Ferguson, remember, is the British tractor magnate who was once an associate of Henry Ford I. Last year he sold his tractor business to Massey Harris Ltd. For several years now he's been tinkering with auto design on his west of England farm (BW—Sep. 24 '55, p. 158).

Guesses about the new Ferguson auto technology are legion. Here's some of the speculation: a horizontally opposed four-cylinder engine driving a high-pressure hydraulic pump, which drives turbines connected with each of four wheels. For braking, the hydraulic flow is reversed. There's to be front-wheel, rear-wheel, or four-wheel drive at the operator's option.

The chassis is said to be built of a light alloy, with plastic bodywork.

British auto technicians take Ferguson seriously—especially now that Sir Miles Thomas, chief of the state-owned British Overseas Airways Corp., has received government permission to join Ferguson as a part-time consultant and director. Thomas knows the business, was a longtime associate of auto maker John Morris (Lord Nuffield).

But the big British car makers are in the midst of a rapid expansion of facilities using their own designs. They're unlikely to drop everything to work on Ferguson creations.

Today's Headline News for Truck Owners...

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You can reduce dead weight and increase payload with Firestone Tubeless Truck Tires and one-piece rims. That is because the Firestone tire-rim combination is lighter—up to 162 pounds lighter per axle using 11-22.5 tires on disc wheels. With cast wheels and the same tire size, the weight reduction is 121 pounds per axle.

Figure the extra payload your trucks could carry and the extra profit you could make over a year's operation. Figure, too, the extra mileage, the fewer road delays, the safety and the reduction in maintenance cost.

Then let your Firestone Dealer or Store work out a tubeless tire changeover plan for your consideration. They will show you that you can make more money with Firestone's "less weight—more freight" program.



**The "BIG SIX" Advantages of
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—The Firestone Tubeless Tire and one-piece rim combination gives truckers more payload capacity regardless of tire size.

3 SIMPLICITY — The Firestone Tubeless

Truck Tire and rim is simple to mount and demount and provides maximum savings in tire servicing labor costs.

**5 SAFEST TRUCK
TIRE EVER BUILT**—

There is no danger of side rings blowing off and injuring service people. The tire cannot run off the rim.

**2 MONEY-
SAVING**

—The Firestone Tubeless Truck Tires greatly reduce road service calls, downtime, and loss from run flat and damaged tires.

**4 SAFETY-
TENSIONED GUM-
DIPPED CORD**

BODY — Exclusive Firestone Safety-Tensioned Gum-Dipping eliminates tire growth and tread cracking, resists impact breaks, gives longer life and more retreads.

**6 LONGER TIRE
MILEAGE** —

Firestone Tubeless Truck Tires cut tire cost with longer original tread mileage and more retreads per tire.

**FIRST with Tubeless Passenger
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**FIRST with Tubeless
Tires for Trucks**



In 1918 Firestone
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We are saying it
still Today!

***The Greatest Advancement in Truck Tires Since
Firestone Replaced Solids with Pneumatics**

Once known as a "bad labor town," Toledo now can point to an impressive record of labor-management cooperation. A good bit of the credit belongs to Richard Gosser (right) of UAW, an ardent advocate of . . .



Realism at Bargaining Table

Is it easier to do business with the United Auto Workers (CIO) in Toledo?

From time to time, some employers who bargain with the auto union ask themselves that question. The reason is the frequency with which UAW in Toledo signs contracts giving companies concessions based on their particular economic conditions. In Toledo, so-called UAW "pattern" terms seem to mean less.

Take Willys Motors, Inc., for example. Two weeks ago the wholly owned subsidiary of Kaiser Motors Corp. in Toledo signed its second "economy model" agreement with UAW in a year and a half. Its cost to Willys will be slightly over 11¢ an hour. Most auto contracts signed this year are costing the companies more than 20¢ an hour.

The Willys settlement terms caused some surprise elsewhere, but hardly a ripple in Toledo.

I. A Special Situation

UAW has given other Toledo employers special consideration—and pay cuts—unusual in times of strong unionism, general high prosperity, bulging

profits and generally husky pay rises. Here are some examples of UAW policy in Toledo over the past two years:

- Dana Corp. was allowed to cut its labor costs by a complete revision of work standards and an outmoded incentive system—even though it meant less pay for workers.

- Early in 1954, the union let Willys junk its incentive system—under which many Willys workers could earn more than workers doing comparable jobs at Ford, General Motors, or Chrysler plants. Workers took a 5% wage cut, but Richard T. Gosser, UAW vice-president in Toledo, assured them that all or a part would be offset by a bonus plan (BW—Apr. 24 '54, p. 144).

- Electric Auto-Lite Co. employees in Toledo were persuaded by the union to accept a revised incentive pay plan although it meant an average 30¢-an-hour loss of pay (BW—Oct. 22 '55, p. 170). UAW also agreed to let Electric Auto-Lite engage an industrial engineering firm to retime all jobs.

- After a one-week strike, UAW got employees of the Doehler-Jarvis Div. of National Lead Co. to accept a new three-year contract providing for a retiming of jobs to make Doehler-

Jarvis more competitive in its field (BW—Oct. 15 '55, p. 56).

- The union went more than halfway in coming to terms with six or seven other smaller firms—taking pay cuts, signing new contracts without wage increases, or otherwise helping employers over a rough spot.

- Willys Contract—The stripped-down "package" UAW accepted from Willys two weeks ago contains these concessions:

- A general wage boost is skipped for 1955.

- A supplementary unemployment pay plan will cost the company 3¢ an hour per worker effective in October, 1957 (elsewhere auto makers are contributing 5¢ an hour for SUB plans that are in effect now).

- A 5¢ hourly annual improvement factor (elsewhere, 6¢ or more) in 1956 and 1957 will not go into across-the-board pay hikes as under other contracts. Instead, it will be used to adjust wages that may be below "Big Three" levels at the time.

But the new pact does continue the bonus plan instituted in 1954 when Willys workers junked a costly incentive pay plan—and took a cut in earnings. Workers got a lump sum payment

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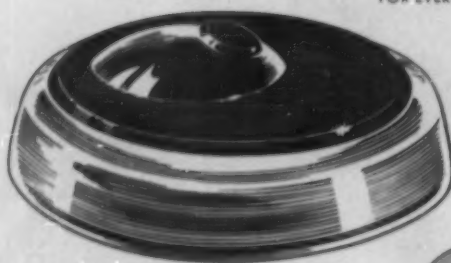
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earlier this year amounting to 6.9¢ an hour for all time worked over the previous 12-month period.

When Gosser announced the new Willys terms, he acknowledged that they would not match the Detroit-negotiated pattern. He said UAW had again agreed to give concessions to Willys "because we want to make [the company] entirely competitive with the Big Three."

• **The Reasons**—Why is special treatment apparently more necessary in Toledo than elsewhere? Gosser says there are three reasons:

(1) It's a highly industrialized city made up of companies—except Willys Motors—primarily engaged in making parts and equipment for the auto producers. As suppliers, they are in a rough competitive field and have little or no control over the end-price of their product. When they run into cost increases, ordinarily they can't pass them along to customers. If they try to, they lose contracts.

(2) The incentive pay system still is prevalent in Toledo—one of the few UAW production centers where piece rates or incentive pay haven't been eliminated, despite international auto union policy against them. Put into effect to raise production when labor was in short supply during World War II, the system, according to UAW in Toledo, has led to some recent hardships.

(3) Many Toledo companies are organized by UAW although they are engaged in activities remote from the automotive field. Auto union locals in these companies "strive naturally for the auto rates, but in many cases their employers are competing with firms organized by other international unions with lower wage scales." Gosser says UAW has to "recognize this situation and realize that such a company might need some help to keep its cost on a competitive basis."

• **A Pledge**—The present policy of UAW in Toledo officially dates back to January, 1954, when Gosser told a civic luncheon meeting that new plants moving into the city would not be subject to wage demands that would throw their costs out of line competitively. And, he said, established Toledo employers would be given the same consideration (BW—Feb. 6 '54, p. 118). Concessions given to Dana and Willys soon convinced the skeptical that this wasn't any empty promise.

According to Gosser, Toledo UAW negotiators have been following auto union policy in these settlements.

It's true that UAW concessions to employers do pop up now and then in other places. A locally negotiated agreement between Studebaker and Local 12 of UAW in South Bend, Ind., eliminated an incentive plan and cut



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pay an estimated 34% an hour in 1954 (BW—Aug. 21 '55, p122). And the auto union has signed a contract trimming labor costs with at least one up-state Michigan parts supplier. But—as in Toledo—such agreements usually reflect local policy. And in no other area do the off-pattern contracts occur with the regularity that they do in Toledo.

II. A Reputation Changes

Until a few years ago, Toledo had the reputation of being a bad labor town—a reputation that flourished during a decade and a half of turbulent labor-management relations growing out of the bloody Electric Auto-Lite strike of 1934. Now, the cooperative relationship of UAW and Toledo employers is helping to blot out this reputation.

How did the change come about? No one person, company, or single factor can get the whole credit for shaping the new look. But ask any 10 informed persons in Toledo to account for the change, and chances are that nine of them would mention Gosser's name. Frequent—and off-the-record—remarks by some of the city's leading businessmen and industrialists also credit Gosser—and through him, UAW—for putting over the new look through a subtle change in bargaining tactics and strategy.

• **Strict Unionist**—At 54, Gosser is a self-made labor leader who came up through the ranks the hard way. Unlike other top UAW officials, he has no real interest in political ideologies. And unlike those in the close circle about UAW's Walter Reuther, he doesn't talk in global terms or show the sophistication common among the many auto union leaders who got their training during the Socialist movement. Gosser is strictly an economic unionist.

He was regarded for years in Toledo as a latter-day Blackbeard, in part because of tough bargaining practices, in part because of charges that he used his tight control over union affairs in business deals planned to bring him personal profit (BW—May 27 '50, p108). Now, the old charges have been all but forgotten. Gosser has at least the grudging respect of those who deal with him, and a stature that has grown—locally—along with Toledo's new look. Gosser denies that a new look in Toledo has come about because of him, or because of any change or softening in union policies. UAW's "interests and aims in [Toledo] negotiations are exactly the same as they have always been," he insists. Moreover, he says, Toledo wage scales haven't been sacrificed to new-look bargaining; they're close to tops in Ohio and are "equal to or above those prevailing in Detroit

area automotive concerns," Gosser asserts.

• **Mature Outlook**—The changeover from periodic labor-management troubles to more than average union-company cooperation in Toledo has resulted from a "maturing" of labor-management relations, in Gosser's opinion. Particularly, he says, "the outlook of the corporations here has changed to one of cooperation with the union and of deeper concern for the welfare of their employees."

Those on the labor-management sidelines in Toledo see a lot of truth both in the credit given Gosser and UAW by management and that given local corporations by the city's top union leader. One of Toledo's leading financiers—discussing a decision by General Motors to expand there—said it was another sign that Toledo's labor and management have "at last matured, the bully boys have grown up."

III. "Realistic" Bargaining

Whatever the reason, bargaining in Toledo, in recent months particularly, has been characterized by a stern but realistic approach by UAW to company problems. As Gosser puts it: "I don't believe our union should force any firm out of business; if a guy's got a problem, it's to our best interests to help him work it out."

This doesn't mean stringing along with management, willy-nilly. The problem must be real—and one that can be verified. According to Gosser, if an employer "says he's losing money but won't let us send in a CPA to look at his books, we assume he is making money. But if he is honest about it, and shows us the records, chances are we can do business with him."

Just last week, UAW received a report from a CPA sent to look over the books of a small Toledo company that told the union it was having a tough time meeting its competition. After reading the report, UAW agreed it "will be necessary to conclude a contract with the firm calling for no pay increase at all—the company just can't afford one."

Such a decision isn't made out of union largesse; it's a realistic appraisal of cold facts. The difference in Toledo seems to be that there is more employer willingness to open books to the union, and more willingness on the part of the union to act in good faith once it has seen the books.

• **Ill-Will Forgotten**—While a company's labor record may be important, it isn't decisive. The Mather Spring Co., for instance, battled with UAW in Toledo on many occasions. When it found itself in difficulty in a tightly competitive market, it turned to a management consultant for help. The con-

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sultant advised a drastic cut in costs, increased productivity, and a completely revised production system.

Henry Mather, president of the company, went to UAW and laid the consultant's report on the table. The union put aside its longstanding antagonism to the company and went to work with Mather on a cost-cutting plan. Today, Mather is prospering more than ever before, and Henry Mather willingly credits UAW's cooperation.

In a similar case, John E. Martin, president of Dana Corp., told the American Management Assn. in New York last year that taking Toledo-UAW into its confidence paid big dividends when the corporation was in trouble.

"The acceptance by our labor organization of the drastic reductions [in costs and wages] is attributed to the frankness with which all operations were handled," Martin said. "An honest question was given a thorough examination by the union and there were no misapprehensions or misunderstandings."

• **Firm Stand**—But if a CPA reports an employer can afford a raise or if a company refuses to open its books UAW gets tough. The union insists on a raise. If it is denied, UAW "shuts the employer down so fast it makes his head spin," Gosser says.

Toledo management corroborates that. UAW may bargain realistically and show a willingness to cooperate, but it stands firm when convinced there is something to negotiate over. Strikes are down from their one-time high level (in 1954, Toledo had the best labor peace record among Ohio industrial cities), but they still harass employers who try to buck UAW at the bargaining conference.

Several contracts are coming up for negotiation with a likelihood of trouble and deadlock. According to UAW, no concessions are warranted in these instances—and the union will strike, if necessary, to "convince employers there won't be any."

• **Criticism**—Despite the frequent toughness, Gosser's policies in Toledo have been criticized as "too soft" by other UAW officials—including both Reuther supporters and such critics of the UAW administration as Carl Stelato, outspoken head of the Ford auto workers. And similarly, many union leaders outside UAW have scored Gosser's willingness to recommend wage-cutting concessions to employers as "dangerous precedent." But the Toledo auto union chief has come through the attacks without harm. At the last UAW convention, nobody challenged his reelection. And if, as rumored, he leaves UAW top office at the next convention, it will be because of health—not top-level dissatisfaction over his policies.



STEPHEN SIBLEY BEAN comes up from NLRB ranks to board, where he will cast . . .

Decisive Vote

Compromise choices for new NLRB member and board chairman put agency back at full strength.

Pres. Eisenhower last week dipped into the National Labor Relations Board's administrative ranks to round out the five-man agency. Then he chose a former South Dakota jurist, appointed to NLRB earlier this year, as new chairman of the board.

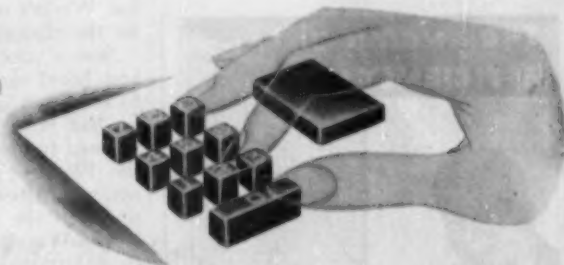
Both selections look like compromise choices between conservative and liberal factions in the Administration. Commerce Secy. Sinclair Weeks and Labor Secy. James P. Mitchell had other candidates for the two important openings on NLRB, which is, by law, an independent quasi-judicial agency in which both federal departments have a strong interest.

• **Month for Selection**—Eisenhower designated Stephen Sibley Bean, 63, for an NLRB membership term ending Aug. 27, 1960. Bean, onetime Republican major and city official of Woburn, Mass., a suburb of Boston, was picked after Administration officials debated for a month or more over a list of likely names. Secy. Mitchell approved his appointment but his selection from the list was attributed to Weeks, who also comes from the Boston area.

For the job of NLRB chairman, Eisenhower chose Boyd Leedom—named to NLRB last February. In selecting Leedom, the President passed over Philip Ray Rodgers, who has been the agency's acting chairman—and an active candidate for that key job (BW—Nov. 12 '55, p141). Rodgers reportedly

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had Weeks's support but was opposed for the chairmanship by Mitchell.

Bean's selection for the \$15,000-a-year board vacancy came as a surprise to labor and industry groups, although he had been mentioned for a board vacancy two years ago. At that time, the President named California businessman Albert C. Beeson, who has since left the board.

• **Mid-Way Record**—Management and union attorneys made hurried checks of Bean's five-year record as trial examiner. Both sides came up with a middle-of-the-road assessment, indicating that he probably will not be opposed when Congress gets his nomination next year.

Bean was attorney for several insurance firms and a partner in the law firm of Snyder, Reilly & Bean in Boston before he took a job with NLRB in 1949.

As one of the 40-odd trial examiners, his assignment has been to process unfair-labor-practice complaints for the board after they have been issued—

against employers or unions—by the NLRB's general counsel.

With these appointments, the board gets back to full strength again after three months with short ranks. It has three Eisenhower-appointed members—Bean, Leedom, and Rodgers—and two Democratic-designated members, Ivar H. Peterson, whose term expires Aug. 27, 1956, and Abe Murdock, whose term expires Dec. 16, 1957. There were no deadlocked cases while the board was evenly divided, but several policy matters were held up until the ranks could be filled with a fifth member able to cast a deciding vote on split issues.

Although the President's two new selections probably will not raise Democratic protests in Congress, NLRB faces other troubles when the next session gets under way in January. The House Committee on Un-American Activities plans to investigate board personnel, acting in part on charges of Communist influence in NLRB ranks raised by Sen. Joseph McCarthy.

Security for TV Performers

Details are worked out for a broad pension and welfare plan covering bit players as well as stars. Employers are sole contributors.

In his monumental work, *Wealth of Nations*, published almost 200 years ago, Adam Smith was intrigued by the labor market in those trades that, in today's description, are touched with "glamor." Then, as now, those industries brought a few top performers wide public notice and huge financial rewards, however briefly held. But these trades suffered a chronic oversupply of labor—even though most of the people who worked in them were employed irregularly, at modest wages, and with very little opportunity to achieve top rating.

• **Important Change**—Mitigated very little since Adam Smith's time, these conditions still exist in the entertainment world. The phenomenal developments in income security—welfare plans, health insurance, pensions—have touched the men and women who work before cameras and microphones very little. Now, suddenly, an important change has occurred. The bit players, as well as the stars, who work in live television are about to be covered by a pension and welfare plan that is one of the most liberal ever negotiated on a national scale.

The plan was agreed to in principle last year by representatives of the industry and AFL's American Federation of Television & Radio Artists, and TV

employers at that time began making contributions into a fund for performers they hired. But there has been considerable doubt about the possibility of working out the practical details necessary to get the fund operating. For the best part of a year, TV people watched negotiators and the consultant they engaged—Martin E. Segal & Co.—struggle with a multitude of problems. But now the solution has been found. It's unusual because of the unusual problems that characterize the industry. And it's important because of the broad list of benefits afforded.

• **Unusual Conditions**—In coming up with a workable plan, the negotiators had to take into account these conditions peculiar to the entertainment field:

- Employment is sporadic; unemployment common.
- Artists usually don't work long for one employer.
- Performers sometimes leave the industry for several years, only to return at a later date.

Under the plan evolved, employers are the sole contributors to the fund. They will pay amounts equal to 5% of each performer's gross pay. Three-fifths goes for pensions, two-fifths for health insurance.

• **Coverage**—Any entertainer earning

\$1,000 or more in live TV during one year will receive coverage. Total earnings received from any of the 245 contributing employers count toward the \$1,000 minimum. And, once an artist has met his requirement, he also is covered for the following year. This means that a performer can enjoy the benefits of health insurance even though he may be out of work for as long as a year.

• **Insurance Benefits**—Performers who are covered by the plan will get these insurance benefits:

- \$3,000 life insurance;
- \$3,000 accidental death and dismemberment insurance;

• **Maternity benefits** and Blue Cross hospitalization and major medical insurance for themselves and dependents. The catastrophic medical insurance covers 75% of expenses incurred above a \$200 cash deduction up to \$5,000 (BW—Oct. 15 '55, p. 46).

• **Pensions**—Pension features of the security plan allow a performer to retire as early as age 55. The size of the pension depends on how much has been paid into the fund for a performer—a big earner may get upward of \$7,500 a year. If he wishes, a performer can exercise one of several options specifying that lifetime payments will go to his family if he dies before he can enjoy full benefit from his pension.

Pension rights are vested. This means a performer doesn't forfeit his right to a pension if he leaves the TV field for a few years. A performer working in TV at the time of retirement is entitled to a pension if the sum of \$450 has been paid for him into the pension fund. A 30-year-old TV actor who has \$450 in the pension fund, for example, can take a fling at Broadway, stay away from TV for 24 years before coming back to the field, and still retire on a pension at 55. His pension, of course, would be very small, since no payment would be made to the pension during his 24-year absence from TV.

So conservative are the funds' actuarial calculations that the trustees expect to hold in reserve the \$1.6-million collected in contributions last year. Benefit payments will be financed out of current contributions. Welfare benefits begin Jan. 1, 1956, pensions on Jan. 1, 1958.

• **Making It Work**—What makes the whole plan work is the number of very highly paid artists covered. On a percentage basis, these people account for a large amount of money paid into the fund. The insurance features of the plan cost about \$140 a year for each person covered. But actually, only \$20 is contributed by employers on behalf of the performer earning \$1,000 a year, while \$2,000 is paid into the

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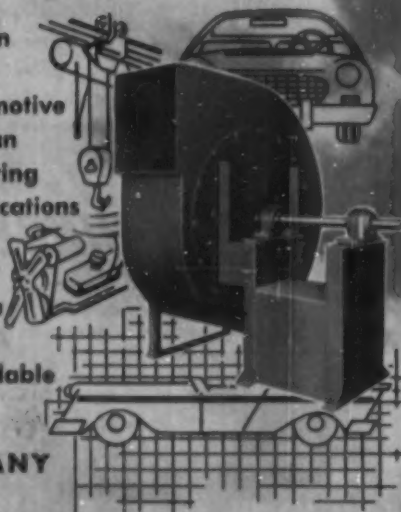


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fund on the salary of the performer making \$100,000 a year.

Consultants to the fund claim all TV performers, regardless of income, are better off under the new plan than if they got a 5% boost in wages to finance their own security programs. These experts say the lower paid performers could not begin to buy the kind of program they will get now. And for the higher paid artists, a 5% increase in income would be partially eaten away by higher income taxes, whereas no tax is levied on the 5% sum paid into the fund for them by employers.

LABOR BRIEFS

Integration of private supplementary unemployment benefits under the New York unemployment insurance system faces a fight in the next New York legislature—even though New York's attorney general has ruled it legal. The Commerce & Industry Assn. of New York, Inc., said this week that it will ask that simultaneous public and private payments to the unemployed be barred by law. . . . Also, the National Assn. of Manufacturers this week gave its blessing to a modified SUB plan—an "individual income security plan"—in effect in the plate glass industry (BW—Sep. 17 '55, p. 166).

A 65-day strike ended at Ex-Cell-O Corp. plants in Detroit when the United Auto Workers (CIO) and management signed a three-year contract with "package" gains for UAW reportedly worth 22.7¢ an hour. Generally, the terms followed the pattern established by UAW in the auto industry, but the total cost to Ex-Cell-O runs a little higher.

The United Electrical Workers, one of the unions ousted from CIO in 1949 in a left-wing purge, last week was denied use of National Labor Relations Board services by the U.S. Court of Appeals in Chicago. The court upset an NLRB ruling favoring UE in August, 1953. It decided that not all officials of the union have signed the non-Communist oaths required under the Taft-Hartley Act—so UE isn't qualified by law to use NLRB's services.

A new contract signed in the West Coast lumber, plywood, and logging industries four months ahead of the Apr. 1, 1956, expiration of present pacts gives 100,000 AFL unionists raises of from 5¢ to 15¢ an hour, effective Dec. 1. By early negotiations in a slow period, the industry assures itself of labor peace in the normally busier spring season.

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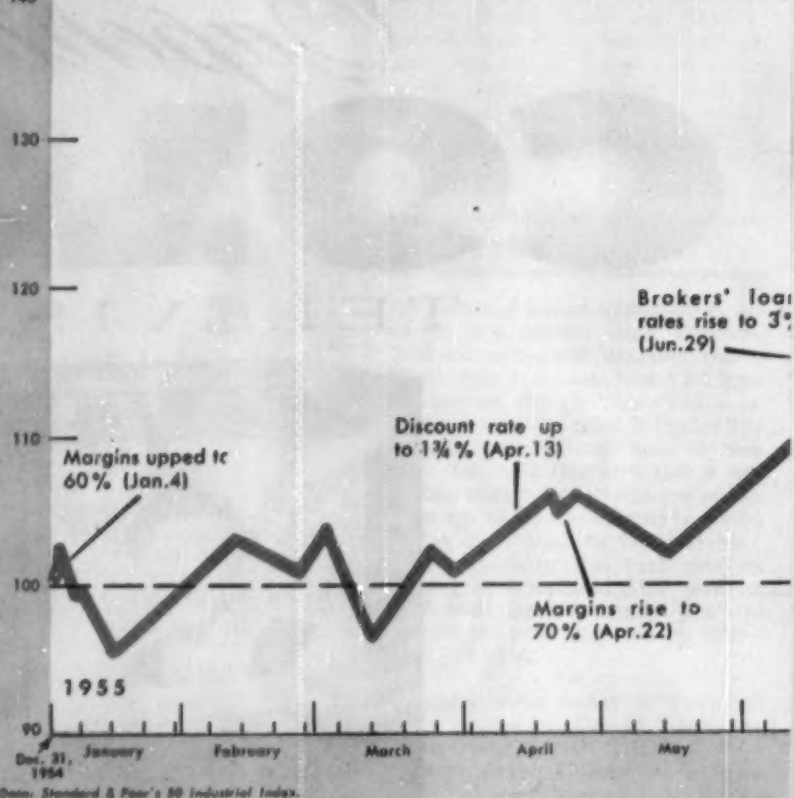
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A Pause, Then Climb

Ever since last December, when Federal Reserve authorities said they would take the "active" out of their policy of "active ease," Wall Streeters have talked with some trepidation about what the money managers might do.

On the record so far, it would seem their fears are unwarranted. The stock market has, on the whole, paid practically no heed to nearly a dozen major moves by the Fed and commercial banks this year. On a few occasions, the act of tightening up the money market by one means or another gave the stock market brief pause; on others, such a move went unnoticed in a bull market rush.

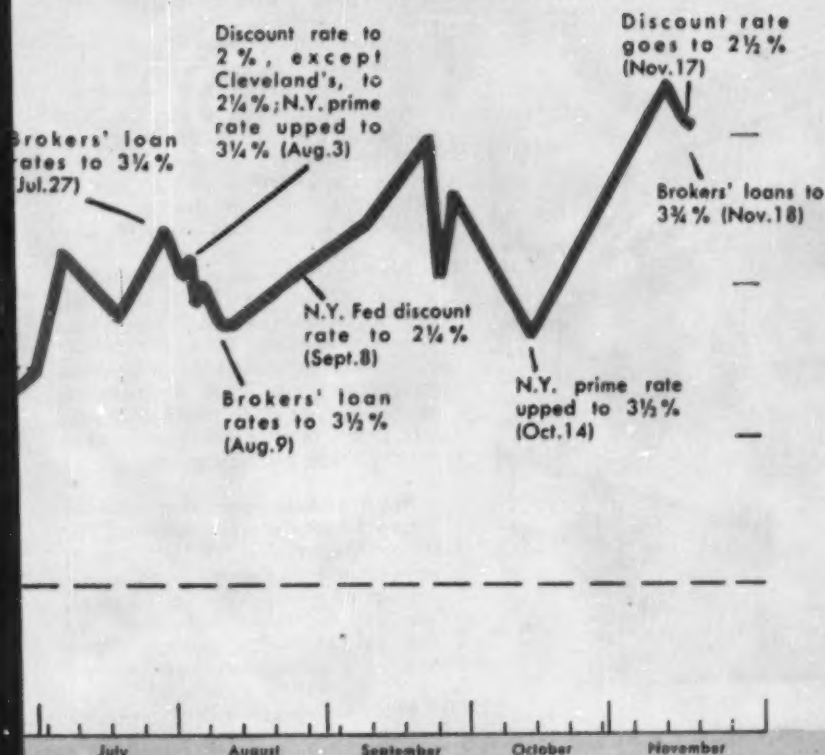
This week, the Fed's latest move, an upping of the discount rate to 2 1/2%, led to some shakiness in stock prices. But, as in so many other instances this year, the discount rate boost was cited

as an excuse rather than a reason—the real reason, said the market analysts, was a technical one. The market was simply having trouble consolidating its position above the September highs. "The Dow-Jones average, for instance, was much more influenced by du Pont's \$9.75 slide after failing to fulfill split rumors, than by the discount rate hike," said one technician.

• **Major Factors**—So far this year, there have been only three occasions when money moves could be singled out as anything approaching prime factors in stock price dips:

• The Jan. 4 margin boost to 60%, which came on the heels of a wild stock market session revolving about speculations over a General Motors Corp. stock split. The raise in margins, coupled with disappointment when the split didn't come off then, was critical.

Money Hasn't Fazed It, So Far



Goes On

• The second margin boost, to 70%, in April, caused a slight dip, but not right away—after the raise the market moved irregularly higher for three days before the sell-off began.

• The early August discount rate boost to 2% (2½% in Cleveland) plus a prime rate raise by the commercial banks caused some selling—but it lasted less than a week.

Both the Fulbright hearing last March and Pres. Eisenhower's heart attack hit the market harder than any of these moves.

• **Psychological**—Many Wall Streeters now feel that further money moves could have a psychological impact on the stock market. For one thing, stock prices are at historic highs again, leaving the market as vulnerable as it was just prior to Eisenhower's heart attack (BW—Nov. 19'55, p178). Another margin boost, for instance, could well

provide a straw that would at least fracture a couple of ribs, if not break the market's back.

But many analysts doubt that further gradual tightness—at least through the peak lending season for commercial banks—would hurt the market much more than previous moves. There is some psychology here, too. Raising the discount rate or reserve requirements is pointed primarily at business activity rather than at the stock market specifically, and indicates an administrative concern with over-exuberance. Investors would rather operate in such an atmosphere than one in which money market overseers were spending their energies trying to prime business.

• **Surprise**—The element of surprise has figured—and will figure—more prominently in any major money market move by the Fed than the nature of the move itself. This was seen in August, when boosts in the discount rate and the prime rate together took the market offguard. **END**

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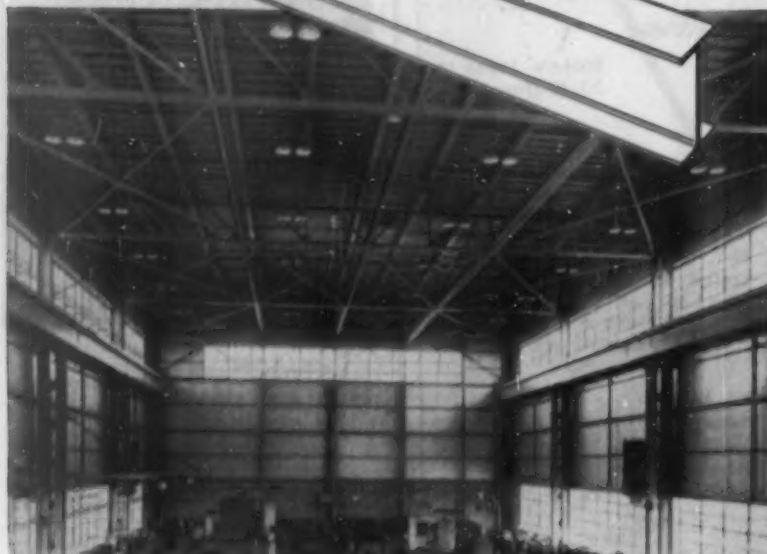
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Wall St. Talks . . .

. . . about securities prospects . . . Ford Foundation plans . . . bright bonus hopes . . . fund sales of commons.

Market letter gleanings: Start "liquidating weak holdings and placing some funds in fixed income securities." (Hemphill, Noyes & Co.) . . . "The market's statistical background remains highly favorable." (Paine, Webber, Jackson & Curtis) . . . Use "caution in adding to commitments" now. (Eisele & King, Libaire, Stout & Co.)

No part of the proceeds (which may exceed \$400-million) from its forthcoming sale of Ford Motor stock will go into other commons for some time, the Ford Foundation insists. It is expected to go temporarily into governments, then into high grade corporate bonds. The goal: a better balanced investment portfolio than has been possible.

Street workers expect this to be the biggest Christmas yet in bonuses. The reason: Stock trading has been running at its fastest pace in 25 years, underwritings have been both big and profitable, and, because of high income tax rates on partnership earnings, Uncle Sam will pay a big part of the bonuses.

Many investment trusts became sellers of stocks, on balance, in the third quarter for the first time in five years. That's the report of Henry Anspacher Long, investment trust expert of New York's Commercial & Financial Chronicle. Of 65 prominent investment companies that he examined, 27 were definitely on the sell side in the quarter, only 21 were buyers. For the others, sales and purchases about balanced. In the case of five, net cash and government bond holdings rose sharply in the July-September period.

Louis E. Wolfson may have lost his proxy fight for control of Montgomery Ward but his consolation prize is a handsome one. Streeters figure this venture to date has netted him well over \$1.5-million of paper profits. They estimate he paid around \$75 each for the 53,500 Ward shares he now holds. The stock is now selling on the Big Board some \$29 above what Wolfson paid.

GM common has ousted Pennsylvania RR stock from its long held position as 1955's most actively traded issue on the Big Board. For both stocks, trading volume this year has already run well past the 5.8-million mark.



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Carrier Corp.	Modine Manufacturing Co.
Clarage Fan Co.	Philco Corp.
Cory Corp. (Fresh 'nd Aire Co.)	Surface Combustion Corp. (Janitrol Div.)
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Source: Publishers Information Bureau Analysis

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PERSONAL BUSINESS

BUSINESS WEEK

NOV. 26, 1955

A BUSINESS WEEK

SERVICE

One of the best ways to give a sharp boost to family savings is to use the tax-law technique known as income-splitting. It can often lop enough off your tax bill to put Junior through college.

Income-splitting is done within the family, and involves children, parents, or other close relatives. It should not include your wife—you already get a form of income-splitting when you file a joint return with her. And since you would have to report your wife's income on a joint return, shifting income to her would put you right back where you started.

The mechanics of income-splitting are simple enough. All you do is take income that is now taxed in a top bracket, and spread it among family members who are taxed in a lower bracket, like this:

Jones has a taxable income of \$70,000, so he pays a tax of \$32,820. He decides to split his income three ways: He keeps \$35,000 himself, gives each of his two sons \$17,500 of the other \$35,000.

Result: The family keeps \$9,020 that would ordinarily go for taxes.

Basic method of splitting income is to give such income-producing property as stocks, mutual-fund shares, U. S. bonds, registered bonds, and rental property. There are also a couple of less common things you can assign. First is a contract that requires you to perform no personal services, such as an interest in a royalty contract.

The second is an interest in a partnership. Most family businesses might be profitably converted into a family partnership. (Exception: those in which only personal services are performed, such as in a law or an accounting partnership.)

There are a couple of important points to remember when you transfer income-producing property to children. Don't keep control of the property; otherwise the gift may not be allowed. But if the child is not old enough to manage property, do one of three things:

- Give property that a minor can handle (that is, it requires no management or can legally be transferred by him). For example: U. S. Savings Bonds, which can be bought, registered, and redeemed in the minor's name.
- Put the property into a trust.
- Appoint another kind of fiduciary to handle it.

Two tax advantages come when you transfer income-producing property to a child who is 19, or is a full-time student:

- Not only do you escape tax yourself; the child may escape, too, if the income is less than \$675 a year.
- You still can get an exemption for his support even if his income goes over \$600 and he claims the exemption on his own tax return. This is new under the 1954 tax law.

A similar result follows when you split income with an aged dependent.

Ordinarily, you get only one exemption when you directly support a close relative who is 65 or over. But if he files his own return, reporting income from property you give him, he has two exemptions—the extra one for being 65 or over. Furthermore, he may take his own standard deduction from this income, and possibly get a retirement-income credit.

Note this point on property that has appreciated in value, and that you

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
NOV. 26, 1955

plan to sell: You can cut the tax on the profit by giving it to a close relative who is in a much lower tax bracket. However, to make it stick with the Treasury, you must transfer the property before you close the sale.

Finally, remember this: Shifting property not only means an income-tax saving—it means, of course, an estate-tax saving as well. And if you keep under the lifetime exemption of \$30,000 (\$60,000 if your wife consents to the gift) and the yearly \$3,000 exclusion (\$6,000 with your wife), there will be no gift tax, either.

—●—
The surge of renewed interest in the American West has brought a recent and handsome collection of both music and books to the market. Some of the more outstanding contributions to western lore:

- The American West, by Lucius Beebe and Charles Clegg (Dutton; \$12.50) is mainly a pictorial collection portraying the early mining camps and its colorful people—Wyatt Earp, Belle Starr, the Hearst family.

- The Pony Express, by Lee Jensen (Grosset & Dunlap; \$2.50) is a remarkably detailed and plentifully illustrated account of that unique delivery service across the plains to the Pacific Coast, which existed for less than two years.

- The Settlers' West, by Martin F. Schmitt and Dee Brown (Scribners; \$7.50) presents a panoramic pictorial history of the early migrations.

- Buffalo Bill and the Wild West, by Henry Blackman Sell and Victor Weybright (Oxford; \$6.95) is notable mainly for its account of Cody's show; it sheds little real light on his controversial frontier career.

- In fiction, note particularly Frank Yerby's new novel about the California gold rush—The Treasure of Pleasant Valley (Dial; \$3.50).

Western fans also will want an outstanding Columbia record album, Songs of the West. The Norman Luboff Choir sings 13 classics—all but two of unknown authorship—without adornment to mar their simple beauty. Among the selections: Red River Valley, Streets of Laredo, Doney Gal, Poor Lonesome Cowboy, Colorado Trail.

Also interesting: Outlaws of the Old West, an M-G-M album of songs written and sung by the well-known folk singer, Dickson Hall.

—●—
Note for Christmas: A help to companies giving Christmas parties for children is a new manual, Planning a Successful Christmas Party. Companies can get it free from Organization Services, Inc., 10200 Grand River Ave.; Detroit 4, Mich. . . . Your kids might be interested in sending Christmas cards offered by the United Nations Children's Fund (UNICEF). The greeting is in the five official U. N. languages. Delivery time is 15 days from UNICEF Greeting Card Fund, United Nations, N. Y. Price: \$1 per box of 10.

—●—
Golfers can practice their putting in home or office during the winter with a new metal putting "track." It helps teach you to keep the putter swing straight and the blade square to the ball.

—●—
One management consultant says that executive opportunities for older men are on the increase. Reason: Wiser and more mature executives are needed to cope with increasingly complex management problems.

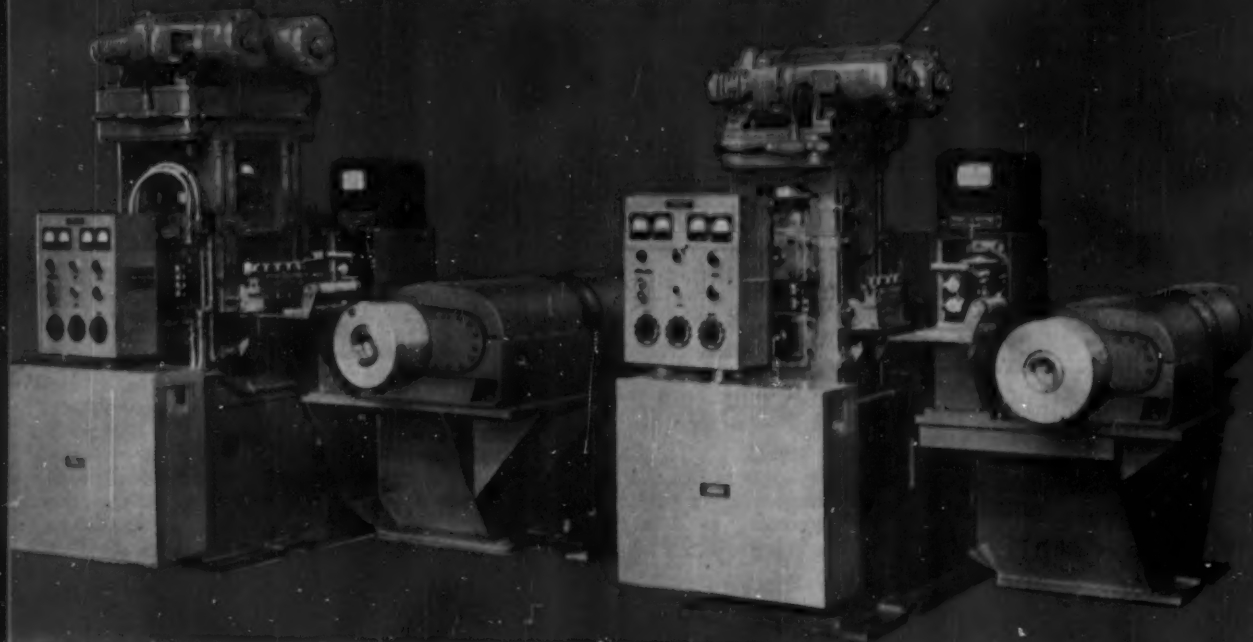


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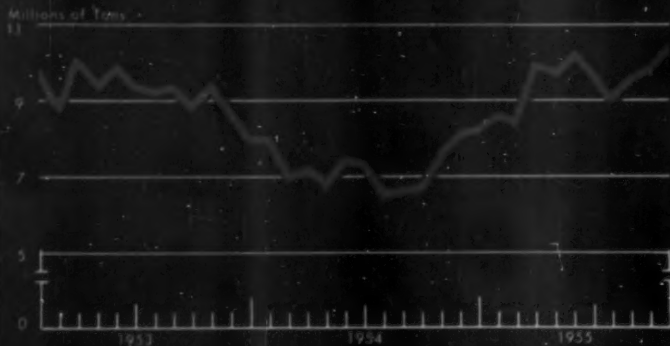
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CHARTS OF THE WEEK

Steel Production



Data: American Iron and Steel Institute

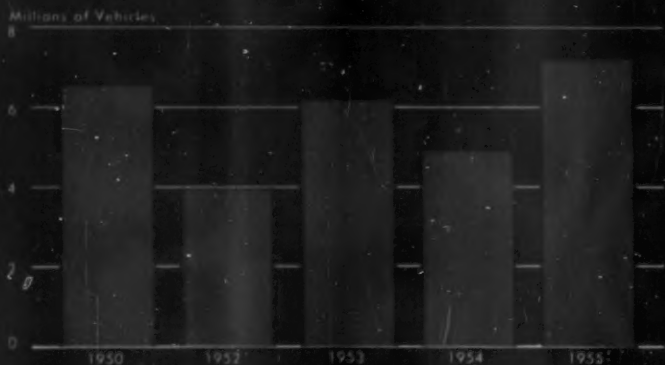
BUSINESS WEEK

Up to a New Peak Last Month

In October, steel production climbed to a record 10.5-million net tons of ingots and steel for casting—1.7% above the previous record set last May. This brought 10-month production to 96.3-million net tons—and this is 1.4% above the previous record for the comparable period, set in 1953 when the mills produced 95-million tons.

Production is expected to continue high into next year. Thus far, November has averaged above 99% of capacity, compared with 98.2% in October, and demand is very strong. The main factor is automobile production. But the new burst of capital spending planned for next year (BW—Nov. 12 '55, p27) will also compete for steel.

Passenger Car Production (Model Years)



Data: Ward's Automotive Reports

BUSINESS WEEK

1955 Models Smash the Record

An estimated 7.1-million 1955 passenger cars were turned out in the U. S., according to Ward's Automotive Reports. That's 9.7% above the previous

record, set by the 1950 models, with close to 6.5-million. Most striking comparison is the 46.9% gain of the 1955's over the 1954's.

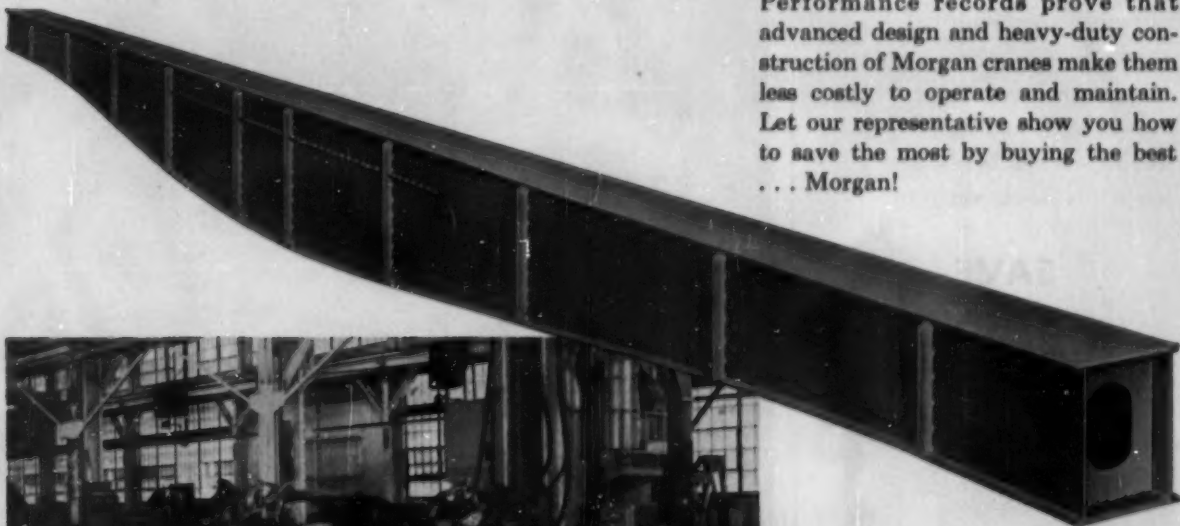
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JOMAC
INDUSTRIAL WORK GLOVES
PROOF that quality means economy

Production of 1955 models has, of course, ended. The last 1955 Buick came off the production line on Oct. 6. Most other producers ceased 1955 model production between Aug. 30 and Sept. 30, although the end of the run came

earlier for Lincoln, DeSoto, Chrysler, Packard, and Thunderbird. Changeovers were largely earlier this year, except for General Motors, so the 7.1-million output really was achieved in less than a full year.

Housing Starts—Two Views

Thousands of Units

140

Actual Starts

120

100

80

60

40

1954

1955

Source: Dept. of Labor

Monthly Rates

(seasonally adjusted)

Either Way, There's a Drop

Home building has fallen off—any way you look at it. But the two charts (above) show pretty different pictures. At the left, this year's starts on new dwelling units seem to be taking their usual fall-and-winter slide; on the right, it becomes apparent that building has returned to a less breath-taking level after its remarkable peak late last year and early this. The main cause of the

drop in building is that mortgage money is not so easy any more.

Detailed comparisons show that October is 5.3% below September this year and 3.3% under the already steamed-up rate a year earlier. But this doesn't change the fact that 1955 is measuring up as an outstanding year for housing, promising to come very close to 1950's record of virtually 1.4-million starts.



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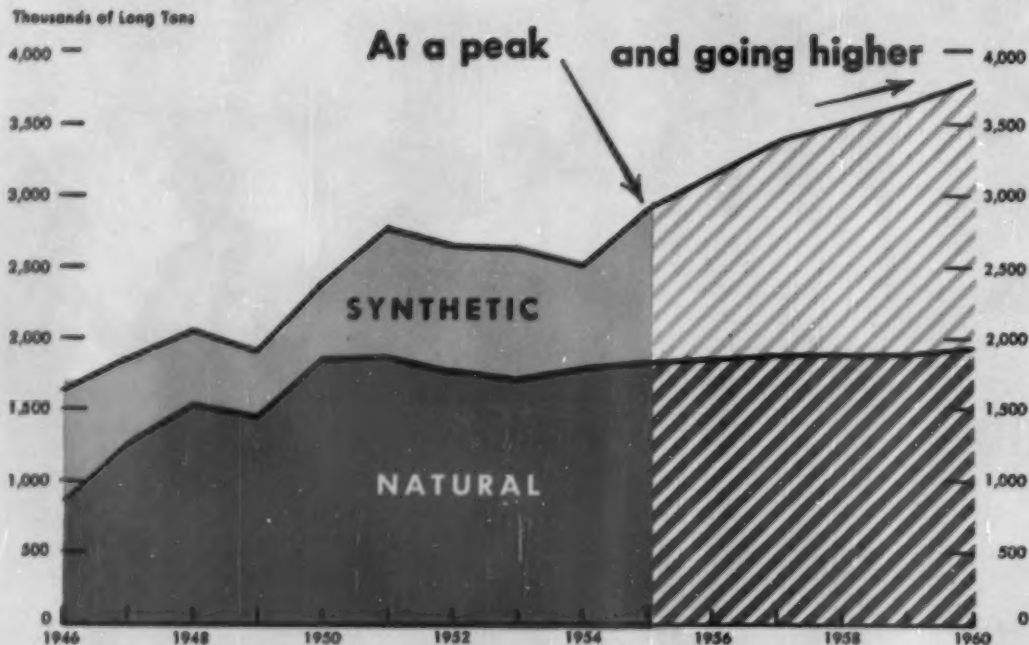
AMONG THE SCORES OF COMPANIES USING SPERRY FLIGHT INSTRUMENTATION:

American Can
Gaylord Container
Gannett Newspapers
Food Machinery & Chemical
Briggs Mfg.
General Mills
Plymouth Oil
National Dairy
Great Lakes Carbon
Fuller Brush

SPERRY *GYROSCOPE COMPANY*
Great Neck, New York

DIVISION OF SPERRY RAND CORPORATION

World Rubber Production



Data: International Rubber Study Group; Rubber Manufacturers Assn. Estimates.

© BUSINESS WEEK

Synthetic Has a Higher Bounce

1955 has been a banner year for rubber, and last week's meeting of the Rubber Manufacturers Assn. highlighted the happy times. This is the first annual meeting of the RMA since the giant synthetic rubber industry came into private hands. The change-over couldn't have come at a better time—the year of the biggest rubber consumption on record.

Sentiment at the RMA meeting boiled down to a sort of declaration of independence from natural rubber. Pushed by peak demand, synthetic rubber producers—in many cases rubber manufacturers themselves—have celebrated their first year of ownership by working their plants to capacity and bringing production to an all-time high.

They gave rubber users a forecast of steadily increasing synthetic production (chart) and decreasing dependence on natural rubber. RMA forecasts a 20% increase in worldwide demand by 1960, with by far the largest part of the new supply coming from synthetic.

• **Away From the Farm**—This shift in the basic raw material means far-reaching changes in the facts of life of the rubber business.

Natural rubber is essentially an agricultural commodity. With a large number of producers, and supplies that are relatively fixed—certainly in the short run—sudden shifts in demand can make rubber prices swing as widely as those of any other agricultural commodity in an unregulated market. In addition to the normal agricultural hazards, prices of tree rubber run political perils. About 95% of this rubber comes from the turbulent Far East.

Synthetic rubber, on the other hand, is an industrial, factory commodity, and it behaves like one. Prices are much more stable, much more closely tied to the cost of production.

• **Horrible Example**—Rubber manufacturers would like to be independent from price behavior like that of tree rubber in the past half-dozen years.

In January, 1950, natural rubber stood at 18¢ a lb.; by the start of the Korean War in June, prices (with an

extraordinary ability to forecast trouble) had gone up to 31¢; by the following February they stood at 74¢ a lb. Next came a steady three-year decline that brought prices down to 20¢ in February, 1954. Then up again—partly because of the Formosan crisis but mainly because of a booming demand that surprised everyone, prices broke 30¢ a lb. last January, got to just under 50¢ in September, now fluctuate between 40¢ and 45¢ a lb.

• **Steady Synthetic**—In contrast, prices of GR-S, the basic type of synthetic rubber, have changed only three times since 1950, within a range of 7½¢; they have been stable since early 1952. Of course, for most of that time, synthetic production was in government hands, and there are many reasons why private producers wouldn't want to raise domestic prices now, even though the market could take it (some raised export prices 1½¢ a lb. last month).

Perhaps, too, synthetic rubber won't behave quite so mildly over the long run as it has in the past, but prices certainly won't show anywhere near the

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Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

IN THE LAST 20 YEARS there has been a great deal of talking and writing about the virtues of planning ahead in business. But in all the published material we have seen there is little really good on the technique of planning ahead. It is still largely trial-and-error, with each individual company groping its own way. In our own groping we have evolved some beliefs which, to us, seem sound—and some procedures which, for us, work fairly well.

First: we believe that any planning for the future must be done with a firm grip on the present. Plans have little chance of working unless they are based on the present realities of a sound corporate organizational structure, staffed by good key people in command of adequate business controls.

Second: we do not believe it possible for anyone to plan more than a year or two ahead with any great chance of seeing the plans materialize. Of course, we have long-range objectives. But we do not have a five-year or ten-year crystal ball that will foretell business, political, or international conditions with enough accuracy for us to formulate detailed tactical plans.

A good yearly plan—intelligently aimed at our long-range objectives and aggressively carried out—is more productive, we believe, than fuzzily out of focus “blueprints for the far future.”

And third: we have found that our over-all company planning is most productive when it is based on the right kind of detailed information and ideas from each individual department.

The kind of departmental information we require, how we get it, and how we use it in arriving at a workable master plan, evolved out of years of trial-and-error. Only recently was it formalized to the point of putting it down on paper—a simple, seven-point summary or guide. There is no magic about it, nothing startlingly new in it. But it simplifies and organizes our planning, and gives our plans a fighting chance to succeed.

* * *

Visitors are often intrigued by the sub-zero “torture chamber” in our Pittsburgh plant. This is actually a test room capable of being cooled to minus 50 degrees F. Adjoining it is an ante-chamber in which engineers—bundled up like arctic explorers—become accustomed to the cold gradually, much as divers are conditioned to high pressures before submerging. The “torture chamber” is used to prove Rockwell-Nordstrom valves and valve lubricants under the severest low temperature conditions encountered in actual use.

* * *

Usually it is the supplier who performs “extra” services for his customer, but recently we experienced a pleasant reversal. A very large customer, who uses television on the West Coast, asked if we would cooperate in having a half-hour program built around the early history of Rockwell-Nordstrom valves, and the manufacturing methods we use today. The result was an interesting television show, “Success Story,”—good advertising for us as well as our customer. But in addition, the customer made available to us a film of the half-hour show. Other customers, as well as schools, find this unusual film extremely informative.

* * *

Recently we published a booklet describing the complete line of Rockwell gas testing equipment. One interesting addition is our line of test meters, which are large-dial modifications of the new Rockwell aluminum domestic and commercial meters. Among other uses, gas companies employ them to show customers the amount (and low cost) of gas consumed by ranges, furnaces, clothes dryers, refrigerators and other gas appliances.

One of a series of informal reports on the operations and growth of the

ROCKWELL MANUFACTURING COMPANY

PITTSBURGH, PA.

for its customers, suppliers, employees, stockholders and other friends



swings of natural rubber. For the man who uses it as a raw material, this is important.

• **Still Indispensable**—But a declaration of independence is one thing (and more likely to come at a time of high natural rubber prices) and achieving independence is another. Natural rubber has qualities that make it close to essential for roughly one-third of total rubber use.

In 1951 and 1952, at a time of maximum government stockpiling of natural rubber and strict controls on its use, it still came to 35% of the total used in this country (the year before, it had been 57%). Natural rubber's share of the market has dropped for two years (as it always will with rising prices); still, it came to 40% last September. During World War II, the proportion dropped way down, but products in many cases simply didn't meet quality standards.

The fact is that, no matter what the price relationships are, the only thing that can begin to replace natural's third of the market is development of a synthetic that will act just like it. So far, three tire makers—B. F. Goodrich Co., Goodyear Tire & Rubber Co., and Firestone Tire & Rubber Co.—have announced that they have such a synthetic; Goodrich and Firestone are starting pilot plant production.

Researchers still have a lot to learn about how their new rubber will perform, and the only thing that's really known about costs is that they will be high. Experts feel that it will be several years before “synthetic natural” begins to cut much of a figure.

• **More Trees**—Meanwhile, the Big Four tire makers have huge investments in natural rubber plantations. Firestone has 80,000 acres planted in Liberia, producing 75-million lb. of rubber a year. Goodyear and U. S. Rubber Co. have sizable plantations in Indonesia and are reported looking for sites in Liberia. Goodrich, one of the discoverers of “synthetic natural,” leased 65,000 acres in Liberia and started planting last month; the trees won't begin producing for seven years.

• **Synthetic Exports**—Though synthetic production, no matter how much it goes up, won't squeeze natural out of the market for a very long time at least, rising production can make a great deal of difference in the prices that manufacturers pay for the natural. That's because there's a tremendous amount of leeway for increased use of synthetic abroad.

Currently, use of synthetic outside the U. S. and Canada comes to only 8% of the total. It could presumably increase to the same two-thirds of the total that is the practical limit in the U. S. today. To the extent that synthetic displaces natural rubber, it will loosen supplies considerably and make

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for lower natural rubber prices, in good times and bad.

• **Foreign Competition**—Synthetic production abroad will also increase; the French are building a new plant, and the West Germans—currently the only producers in Western Europe—are expanding rapidly. It's likely that Britain will also start production before long. Plans are at an advanced stage, but there's a real political problem in getting started in Britain because of the wide public ownership of stock in Malayan plantations.

One sign of the times is that a British-Dutch trading company, Imperial Commodities Corp., is one of the bidders on the last of the government-owned synthetic plants, the one at Institute, W. Va. This high-cost plant was shut down by the government in 1953, when rubber demand softened. Original bidding for the plants took place around the end of 1953; at that time natural rubber prices were low, and the Institute plant looked like no bargain.

Now the picture is very different, and there are five bidders.

• **Natural Problems**—On a straight production-cost basis, natural rubber can compete favorably with synthetic, especially with its new high-yielding trees. Constant research is producing trees that will give more rubber; production could be almost tripled with about the same labor cost. The trouble is that conditions surrounding natural rubber production haven't allowed the industry to take advantage of the possibilities to grow and compete.

Indonesia is the largest producer, with about 40% of the total. But Indonesia has been in political turmoil for years. Communist influence is strong, the government can't make up its mind on its attitude toward foreign capital.

An efficient rubber estate will replant 3% to 4% a year with high-yielding trees, running the plantation on a 25-year cycle. Replanting means cutting down old—and still producing—trees; who would be willing to risk money on a program like that in the current climate? The result is that nothing has been done for years, and Indonesian production is slated to go down.

Malaya, on the other hand, has had an effective replanting program for the past two or three years, so that production should start increasing in about four years. African production, currently a small part of the total, has also been expanding steadily; it will continue to grow.

Over-all, though, RMA doesn't expect more than a 4% gain in production of natural through 1960, and producers themselves are no more optimistic. So if world demand is to be met, it will have to be met with synthetic. **END**

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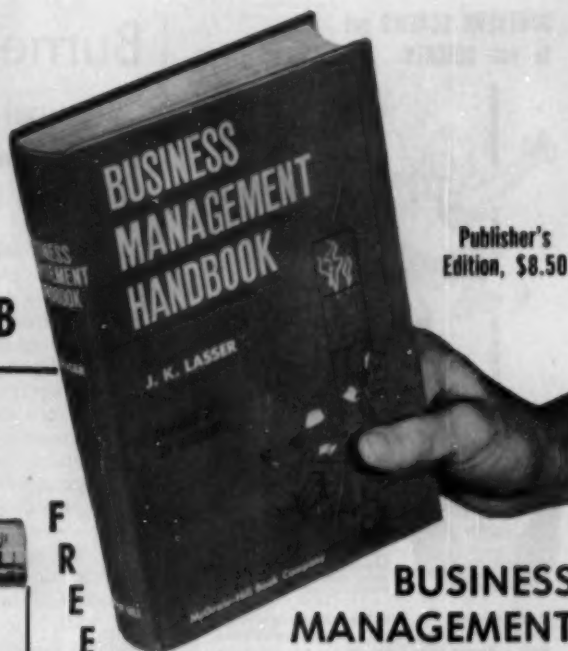
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Burned by a Hot Oil Issue

Defense Mobilizer Flemming, in role of commodities watchman, finds a raft of adversaries dislikes his latest oil import cutback request.

Defense Mobilizer Arthur Flemming has a whole platoon of irate men beating hard on his shoulders these days. Some of them are State Dept. officials, others are congressmen. There are also oilmen who import, oilmen who don't, and coal operators. State governors and military men are joining in the fray.

The trouble: oil imports.

Flemming is in the center of the fight because of his role as watchkeeper on commodity imports. Under the Trade Agreements Extension Act of 1955, he must keep an eye on these imports and recommend action to the President if he finds them excessive. The idea is to keep U. S. production facilities in good shape for defense and ready for a day when war might cut off foreign sources of supply.

Early this month, Flemming asked for a 7% cut in crude oil imports in the last quarter of 1956. He exempted imports of residual oil and of crude oil from Canadian and Venezuelan fields.

The oil import problem has always been a thorny issue (BW—Sep. 24 '55, p132). There seems to be no solution that will keep everybody happy. Though Flemming has never recommended any Presidential action on oil imports (he has concentrated, instead, on getting importers to do the job voluntarily) he has still gotten himself into a hornet's nest of controversy with every move he has ever made on the issue.

• **Diplomats**—The majority of State Dept. officers are upset about the move. They say the oil cutback request, in specifically exempting Canada and Venezuela, discriminates against the Middle East—and at a time of great Middle East tension.

• **Importers**—The importing oilmen say that Flemming is also discriminating between companies. Standard Oil Co. (N.J.), for example, gets its crude oil imports from Venezuela; it has now, in effect, been given a clean bill of health. But Gulf Oil Corp., which gets a large part of its imports from the Middle East, will have to cut back sharply.

• **Domestic Oilmen**—Even domestic producers, who asked for a cutback, are not satisfied. This group harks back to the recommendations of the Cabinet Committee on Energy Supplies and Resources Policy. Last February, that committee said that the ratio between oil imports and domestic production should not significantly exceed the level

it stood at in 1954. By this standard, Flemming's 7% cutback request is moderate. The Independent Petroleum Assn. of America—the leading group of independent producers—has been quick to point out that even if Flemming's 7% request is followed, it will still leave imports above the Cabinet Committee's recommendations.

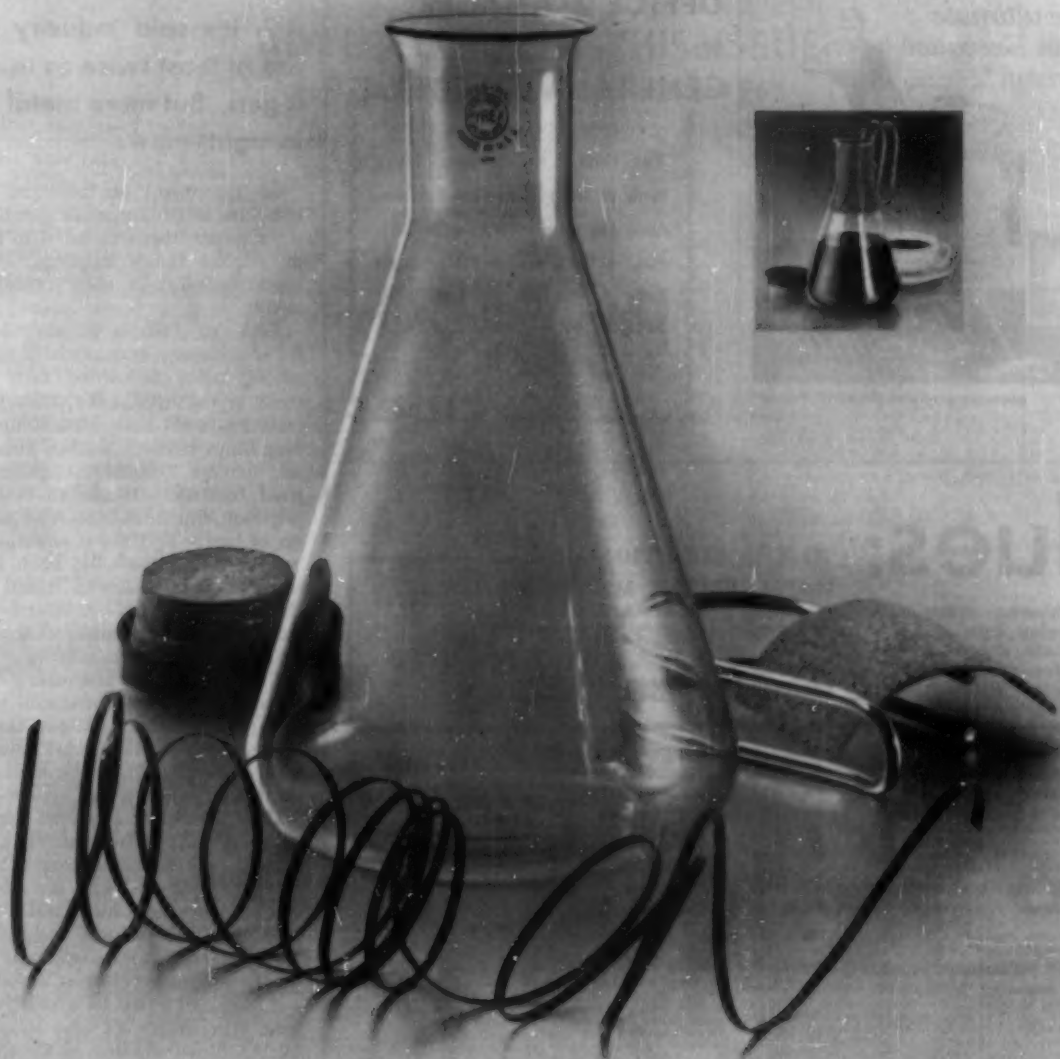
But the ODM chief has answered one big policy question in favor of the domestic producers, who have had their own production held down because of the rising flow of foreign oil to this country. They feel that major importers should cut their imports back still further—below the Cabinet Committee recommendations—to make room for new importers who are responsible for the big increase in oil imports. Flemming says he agrees.

• **Coalmen & Congressmen**—Residual imports this year have been more out of line with the Cabinet commendations than crude oil imports. That's why Flemming included residual in his first request for cutbacks. But there has been a shortage of residual fuel oil on the Eastern seaboard. A group of New England governors complained to Flemming, and the Armed Services Petroleum Purchasing Agency said the program of voluntary restrictions was hurting its procurement.

Residual is a low-value product on the refiner's scale. Domestic producers aren't eager to turn out more of it. The main pressure against its importation comes from coal producers. They must compete with it as an industrial fuel. Since domestic production of residual wasn't stepped up in response to the shortage, Flemming found that imports were not hurting domestic production. So this time, he excluded it from his cutback request.

Now Congressmen from the coal states, once again, are unhappy about Flemming and threaten to push for legislation when Congress reconvenes.

Flemming will soon get a fresh view of how his cutback request is standing up. Last week he asked oil importing companies for regular and systematic reporting of their import plans. Oilmen, as well as government people, are watching eagerly for the first of these reports. They will show whether Flemming's latest stab at dealing with oil imports on a voluntary basis has been successful in spite of the controversy it has stirred up. **END**



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no increase available, engineers have
tried frantically to design away from
selenium, but substitutes have not come
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• **Strikes**—Selenium has been in short
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strikes have made a bad situation much
worse. That's because selenium is a
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caused the official producer price of
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• **The Uses**—The principal use of the
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convert alternating current to direct
current. The rectifiers are used in a
wide range of electrical and electronic
products, both military and civilian.

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and dyes color-fast to a matchless de-
gree. In glass, it's also used exten-
sively. Small amounts of the metal act
as a decolorizer; larger amounts turn
the glass a rich ruby-red.

• **The Supply**—Over-all, the use of
selenium is so widespread that even an
increased use of substitutes would not
stifle the great demand. In fact, gov-
ernment experts are convinced that de-
mand will continue to outrun supply
at least for two or three years.

For the longer term, the best hope
seems to lie in production of selenium
for its own sake. Ores are plentiful,
but they run no better than 1 lb. of
selenium to the ton of ore. It would
take enormous capital to exploit such
low-grade ores economically, and private
industry has not been willing to risk
the money.

Meanwhile, the Bureau of Mines is
working on new processes for extracting
selenium from the ore. There's a good
chance it will have production going
before too long, at least on a pilot plant
basis. **END**

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The Economists Look Ahead to 1956

If you can't go up anymore, do you have to go down?

That's the big question that emerges from the University of Michigan's third annual conference on the economic outlook, attended by over a hundred leading business and university economists.

Most of the economists present thought that 1956, on the average, would be a slightly better year than 1955. But that "on the average" is misleading. For very few of the economists present thought that business would rise continually through the year.

The great majority were split into two groups: those who thought that business would reach a peak, then level off; and those who thought that, once the peak was reached, business would decline. The latter group had serious doubts that we can expect to attain that state of grace, which they described as "the economist's dream," when the national economy, having attained full employment and high prosperity, will just move sideways or gently upward.

Most of the assembled economists, including the greater number of those who anticipated some decline from the peak, felt that the high and rising level of capital spending by business (BW—Nov.12'55,p27), plus federal tax cuts that they assumed would amount to \$3-billion to \$4-billion, would guarantee that business would continue at a high level long after the summit was attained.

A few of the economists present predicted that the slide off the peak will be a serious one. They argued that the boom is increasingly dependent upon highly unstable elements—particularly an abnormally high level of consumer debt, which will not continue to grow at its 1955 rate and which may even shrink.

They say the reversal in autos and housing, which have been so important in the boom, will cause tightness in steel and other materials to vanish. Prices will soften, inventory decumulation commence. Finally—and most seriously, according to these worriers—capital spending will dip down from its unusually high levels.

What agonized the conference's leading bear, V. Lewis Bassie, director of the bureau of economic and business research of the University of Illinois, was that these events would produce a concurrence of downturns in the inventory cycle, the residential construction cycle, and the capital spending cycle—and that the result would be our first major postwar business recession. Bassie flatly forecast that gross national product would drop \$25-billion to \$30-billion before 1956 was finished. He thought that government anti-cyclical policies, including an assumed \$3-billion tax reduction, could only moderate, not reverse, the downside.

At this writing, all the evidence we have—on capital spending, on consumer buying, on steel output—looks powerful on the upside. There are almost no signs, in fact, of any trouble ahead. On the contrary, the

nation's monetary managers last week raised the discount rate once again, indicating their belief that the threat to the economy is not a decline but a strong and inflationary upsurge.

Bassie's bearish prediction is not based on evidence, but on a great many assumptions, some questionable, and most unverifiable. This does not mean that he should not be given a hearing. Present signs of strength cannot, after all, insure future prosperity. It is always important to look out for flaws, especially at a time, like the present, when business is in such a state of ebullient confidence.

Indeed, Bassie has raised some questions that demand attention, especially from the optimists: Is optimism reaching its customary boom's end peak? Is it leading to excesses that may hasten and worsen the end of the boom? Is current optimism's most dangerous form not excesses in the stock market but overly ambitious capital expansion programs? Can and will business adhere to those programs, should consumer buying level off or decline?

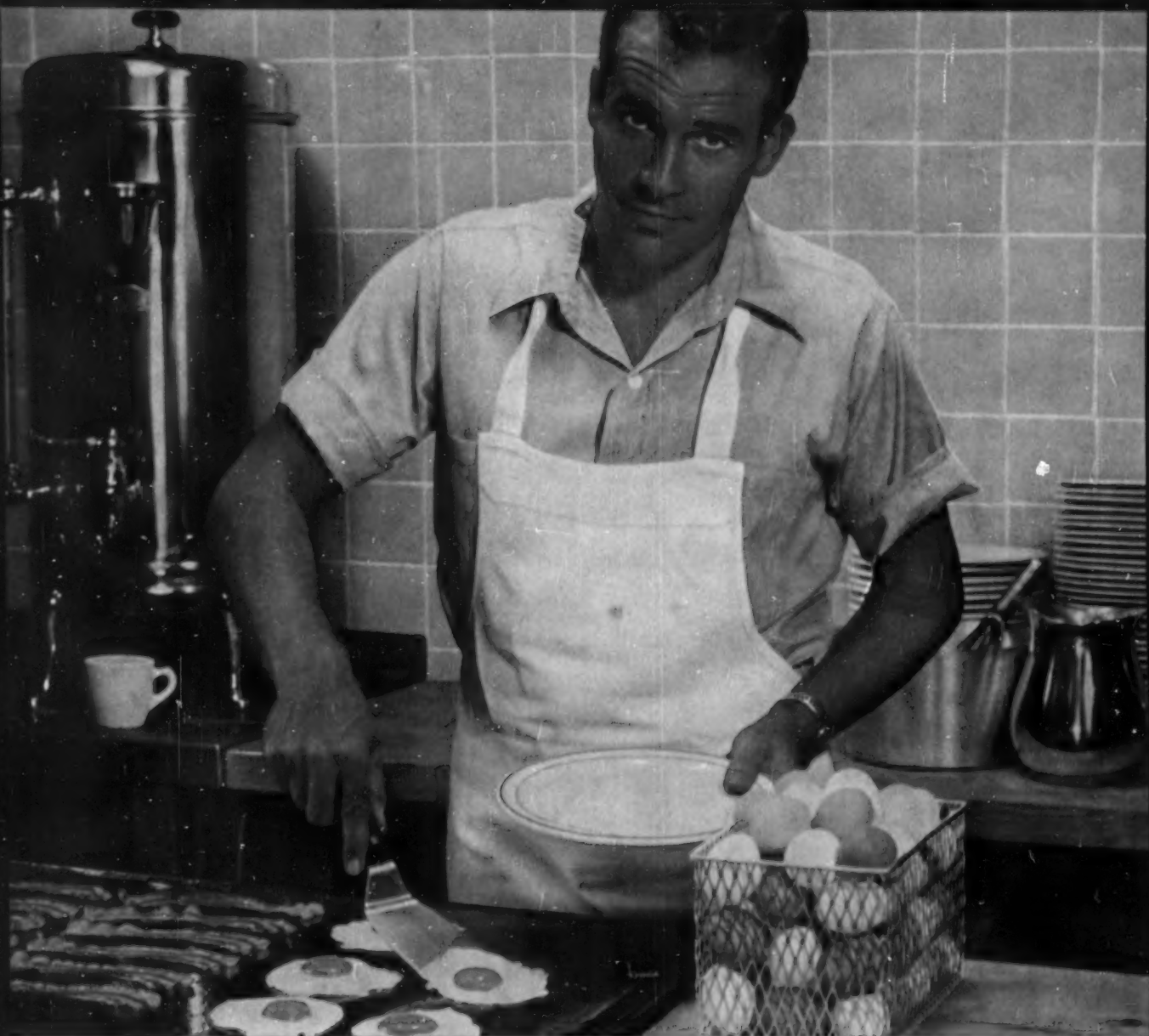
Victory Over Polio

A new report on the Salk anti-polio vaccine happily lays to rest all the doubt and confusion that has existed since some of the first lots proved unsafe. According to the U. S. Public Health Service, injections of the vaccine now being produced under revised standards cannot cause an attack of polio.

This means that parents need not fear using the vaccine as a preventive. Moreover, the preliminary reports of this year's shots show that the vaccine is efficient. Polio specialists are confident that it has increased immunity by over 75% in all types of polio, and is over 90% effective against paralytic polio, which causes permanent crippling or death.

Next year there will be enough vaccine to inject all children—another sign of improvement. It cannot be denied that the initial program of manufacture and distribution was badly handled (BW—Apr.30'55,p26). The public was led to believe that a miraculous panacea had been found, so that when children actually contracted polio from the vaccine, the news hit with a terrible impact. It appears plain that medical and public health authorities failed to take account of the dangers that always accompany a new, powerful, and comparatively untested drug.

The period of fear and uncertainty is now over. The drug may not yet be 100% effective, but it can no longer be a killer itself. As polio subsides as a threat, it is to be hoped that the claims and counter-claims that so aroused emotions this summer will now subside. This is as it should be. The important thing is that victory has been achieved over a dread disease.



Photograph by Vint

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